

**CRESTLINE EXEMPTED VILLAGE
SCHOOL DISTRICT
CRAWFORD COUNTY**

*Audited Financial Statements—
Cash Basis*

For the Fiscal Year Ended June 30, 2011



Dave Yost • Auditor of State

Board of Education
Crestline Exempted Village School District
511 S. Thoman St.
Crestline, Ohio 44827

We have reviewed the *Independent Auditor's Report* of the Crestline Exempted Village School District, Crawford County, prepared by Rea & Associates, Inc., for the audit period July 1, 2010 to June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 19, 2012

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Crestline Exempted Village School District
Crawford County
Table of Contents

Title	Page
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements for Fiscal Year Ended June 30, 2011	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis.....	10
Statement of Activities – Cash Basis	11
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis – Governmental Funds.....	12
Reconciliation of Total Government Fund Balances to Net Assets of Governmental Activities.....	13
Statement of Cash Receipts, Disbursements and Changes in Fund Balances – Cash Basis – Governmental Funds.....	14
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Cash Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund	16
Statement of Fund Net Assets – Cash Basis – Proprietary Fund.....	17
Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets – Cash Basis – Proprietary Fund	18
Statement of Fiduciary Net Assets – Cash Basis – Fiduciary Fund	19
Statement of Changes in Fiduciary Net Assets – Cash Basis – Fiduciary Fund	20
Notes to the Basic Financial Statements.....	21
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	45
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.....	47
Schedule of Expenditures of Federal Awards – Cash Basis	49
Notes to Schedule of Expenditures of Federal Awards – Cash Basis.....	50
Schedule of Findings and Questioned Costs.....	51
Independent Accountant's Report on Applying Agreed-Upon Procedures	55

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December 31, 2011

The Board of Education
Crestline Exempted Village School District
Crestline, Ohio 44827

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crestline Exempted Village School District (the "School District"), Crawford County, Ohio, as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2 and Note 3, the School District changed its basis of accounting in fiscal year 2011 and the accompanying financial statements and notes follow the cash basis of accounting. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Crestline Exempted Village School District, Crawford County, Ohio, as of June 30, 2011, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2011, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Crestline Exempted Village School District basic financial statements. The accompanying schedule of 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. 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.

Hea & Associates, Inc.

**Crestline Exempted Village School District
Crawford County**

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011*

The management's discussion and analysis of the Crestline Exempted Village School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's 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 School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2011 are as follows:

- Net assets of governmental activities increased \$5,511,984 from fiscal year 2010, primarily due to an \$8,327,266 grant from the Ohio School Facilities Commission (OSFC) for the School District's construction project.
- General receipts accounted for \$7,392,004 or 42% of all receipts. Program specific receipts in the form of charges for services and sales, grants, contributions and interest accounted for \$10,346,876 or 58% of the \$17,738,880 total receipts.
- The School District had \$12,226,896 in disbursements related to governmental activities; \$10,346,876 of these disbursements was offset by program specific charges for services and sales, grants, contributions and interest. General receipts (primarily taxes and unrestricted grants and entitlements) of \$7,392,004 were adequate to provide for these programs.
- The School District's major governmental funds are the general fund, building fund, and classroom facilities fund. The general fund had \$7,014,937 in receipts and other financing sources and \$6,756,662 in disbursements and other financing uses. During fiscal year 2011, the general fund's balance increased \$258,275 from \$2,450,880 to \$2,709,155.
- The building fund had \$38,801 in receipts and other financing sources and \$1,450,837 in disbursements and other financing uses. The building fund had an ending balance of \$2,735,929.
- The classroom facilities fund had \$9,257,957 in receipts and other financing sources and \$3,071,576 in disbursements. The classroom facilities fund had an ending balance of \$18,428,984.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Crestline Exempted Village School District as a whole 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 cash activities of the whole School District. 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 School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the School District, the general fund, building fund and classroom facilities fund are presented as major funds.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Crestline Exempted Village School District
Crawford County**

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011*

Basis of Accounting

The School District has elected to present its financial statements on the cash basis of accounting. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipts and disbursements.

Essentially, the only assets reported on this strictly cash receipts and disbursement basis presentation in a statement of net assets will be pooled cash and cash equivalents and investments. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of pooled cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the School 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 School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2011?" The Statement of Net Assets and the Statement of Activities answer this question.

These two statements report the School District's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict receipts 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 School District's programs and services, including instruction, support services, operation and maintenance of plant (buildings), pupil transportation, extracurricular activities, and food service operations. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major fund begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, building fund and classroom facilities fund.

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

Proprietary Fund – The School District maintains a proprietary fund. Proprietary funds are used to account for the School District's ongoing activities, which are similar to those found in the private sector. The School District's proprietary fund is an internal service fund used to account for a self-insurance program which provides life, health, dental, and vision benefits to employees.

**Crestline Exempted Village School District
Crawford County**

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011*

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

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as private purpose trust funds. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The School District's fiduciary activities are reported in a separate *Statement of Fiduciary Net Assets*, and *Statement Changes in Fiduciary Net Assets* on pages 19-20. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

The School District as a Whole

This fiscal year's financial statements were prepared on the cash basis utilizing the Governmental Accounting Standards Board (GASB) Statement No. 34 format. Table 1 provides a summary of the School District's net assets for fiscal years 2011 and 2010, comparatively. Fiscal year 2010 has been restated on a cash basis for more appropriate comparisons (see Note 3).

**(Table 1)
Net Assets**

	Governmental Activities	
	2011	2010 Restated
ASSETS		
Cash & Investments	\$ 25,031,485	\$19,383,830
Total Assets	\$ 25,031,485	\$19,383,830
NET ASSETS		
Restricted for:		
Debt Service	\$ 650,362	\$ 141,135
Capital Outlay	21,269,762	16,518,391
Other Purposes	350,838	296,324
Bus Reserves	14,291	14,291
Set Asides	35,920	35,920
Unrestricted	2,710,312	2,377,769
Total Net Assets	\$25,031,485	\$19,383,830

**Crestline Exempted Village School District
Crawford County**

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011*

Table 2 shows the changes in net assets for fiscal years 2011 and 2010, comparatively. This comparison enables the reader to draw further conclusion about the School District's financial status and possibly project future concerns.

(Table 2)

Governmental Activities	Governmental Activities	
	2011	2010 Restated
<i>Program Receipts</i>		
Charges for Services	\$ 488,515	\$ 357,084
Operating Grants	1,416,728	1,524,183
Capital Grants	8,441,633	3,499,933
<i>General Receipts</i>		
Property Taxes levied for:		
General Purposes	1,988,186	2,078,262
Debt Service	518,605	299,744
Capital Improvements	111,229	116,000
Income Taxes	88,559	6,865
Payments in Lieu of Taxes	25,262	283,823
Grants and Entitlements	4,537,964	4,464,418
Sale of Bonds	0	19,873,153
Proceeds from Sale of Capital Assets	31,754	4,428
Other	90,445	92,680
<i>Total Receipts</i>	17,738,880	32,600,573
<i>Program Disbursements</i>		
Instruction	4,813,858	4,844,949
Support Services	2,614,107	2,988,735
Food Services	297,311	293,615
Community Services	64,175	76,973
Extracurricular	346,779	374,309
Capital Outlay	3,639,251	1,245,218
Repayment of Debt	451,415	10,384,704
<i>Total Disbursements</i>	12,226,896	20,208,503
Increase in Net Assets	\$ 5,511,984	\$ 12,392,070

Governmental Activities

Several receipt sources fund the School District's governmental activities. Property tax levies generated \$2.6 million or 15% of total receipts in fiscal year 2011. Grants and entitlements are also a large source of receipts. General receipts of grants and entitlements generated \$4.5 million or 26% of total receipts and program receipts of operating and capital grants generated \$9.8 million or 56% of total receipts. The School District's operations are reliant upon its tax levies and the state's foundation program.

**Crestline Exempted Village School District
Crawford County**

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011*

Approximately 85% of the disbursements of the general government programs were recouped through program receipts. Instruction costs were 39% of disbursements with program receipts funding 28% of those costs. Thus, general revenues were used to support the remainder of the instruction costs.

During the prior fiscal year, the School District repaid a bond anticipation note with the issuance of Ohio School Facilities Improvement Bonds. Therefore, debt payments decreased in the current fiscal year.

The School District's OSFC construction project contributes to the significant increase in capital outlay during fiscal year 2011 over fiscal year 2010. Capital grant receipts also increased during the fiscal year as the School District received the State's share of funding for the building project.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 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 receipts and unrestricted State entitlements.

**(Table 3)
Governmental Activities**

	Total Cost of Service		Net Cost of Service	
	2011	2010 Restated	2011	2010 Restated
Instruction	\$ 4,813,858	\$ 4,844,949	\$ 3,461,715	\$ 3,512,202
Support Services:				
Pupil and Instructional Staff	704,100	849,842	637,163	792,245
Board of Education, Administration, Fiscal and Central	1,029,106	1,239,373	982,050	1,184,217
Operation and Maintenance of Plant	583,757	602,657	564,948	583,848
Pupil Transportation	297,144	296,863	297,144	296,863
Food Services	297,311	293,615	11,264	(16,767)
Community Services	64,175	76,973	6,095	33,970
Extracurricular Activities	346,779	374,309	277,470	310,736
Capital Outlay	3,639,251	1,245,218	(4,802,382)	(2,254,715)
Repayment of Debt	451,415	10,384,704	444,553	10,384,704
Total	\$ 12,226,896	\$ 20,208,503	\$ 1,880,020	\$ 14,827,303

Instruction and student support services comprise 45% of governmental program disbursements. Board of Education, administration, fiscal, and central charges were 8%. Pupil transportation and the operation/maintenance of facilities accounts for 7% of governmental program disbursements. 40% of current year disbursements were comprised of food services, operation of non-instructional services, extracurricular activities, capital outlay, and debt service.

**Crestline Exempted Village School District
Crawford County**

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011*

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. The School District has three major governmental funds: the General Fund, Building Fund, and Classroom Facilities Fund. The combined assets of these funds at June 30, 2011 comprise \$23,801,264, or 96% of the \$24,883,941 in total governmental funds' assets.

General Fund – The General Fund balance at June 30, 2011 was \$2,709,155, which represents 11% of total governmental fund balances. General Fund receipts and other financing sources for fiscal year 2011 were \$7,014,937, or 38% of total governmental receipts and other financing sources of \$18,675,150. General Fund disbursements and other financing uses for fiscal year 2011 were \$6,756,662, or 51% of total governmental disbursements and other financing uses of \$13,175,039. General Fund receipts were more than disbursements by \$258,275 indicating that the General Fund is in a surplus spending situation. The change in the General Fund balance was due mainly to an increase in receipts.

Other Major Governmental Funds – The other major governmental funds are the building fund and classroom facilities fund. These funds were created during fiscal year 2010 to account for the School District's construction project and the related debt. Receipts and other financing sources for these funds totaled \$9,296,758 and disbursements and other financing uses were \$4,522,413 for the fiscal year 2011.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. During the course of fiscal year 2011, the School District amended its general fund budget to reflect changing circumstances. The School District uses budgeting systems to tightly control total budgets but provide flexibility for management.

For the general fund, budget basis actual receipts and other financing resources were \$6,992,928 which exceeded the final budget estimates by \$256,697, primarily for intergovernmental receipts. Budget basis actual disbursements and other financing uses were \$6,774,685 which exceeded the final budget estimates by \$183,893 for Special Instruction. There were no individually significant items for which the actual receipts or disbursements exceeded the final budgeted amounts.

Further information on the School District's budget can be found in Note 21 to the basic financial statements.

Set Asides and Debt Administration

Set Asides

Ohio law requires school districts to set aside 3% of certain receipts for capital improvements and an additional 3% for textbooks. For fiscal year 2011, this amounted to \$104,536 for each set aside. Further information on statutory reserves can be found in Note 14 in the notes to the basic financial statements.

Debt

At June 30, 2011, the School District had \$9,913,151 in general obligation bonds and \$4,475,000 in lease-purchase obligations outstanding. Of these amounts, \$0 and \$104,000 is due within one year, respectively. During fiscal year 2011, the School District paid \$100,000 of principal on the lease-purchase obligations.

Further information on the debt instruments can be found in Notes 7 and 9 in the notes to the basic financial statements.

**Crestline Exempted Village School District
Crawford County**

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011*

Current Issues

Overall, the School District is fiscally sound. However, it is a fact that school districts face many financial challenges. The first challenge is that although the School District had the resources necessary to meet operating expenses in fiscal year 2011, primarily due to closely monitoring expenditures, it will be critical that the School District's management continues to operate the School District within its financial means, in order to avoid operating deficits. According to the School District's five-year forecast, in fiscal year 2012 the School District will experience an operating deficit if revenues do not increase. School District management is currently evaluating revenue options and cuts in expenditures that will provide a balance for a financially stable School District, students that are receiving the services they deserve and taxpayers that are willing to support the needs of both.

In light of these events, the School District will experience a financial blow due to the passage of House Bill 66. The phaseout of tangible personal property tax will prove to be detrimental to School District revenues as the phase-out will no longer be reimbursed after calendar year 2017. 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 Board of Education passed a 8.91 mill bond levy in May 2009 to support the School District's participation with the OSFC on a project for a PK-12 facility that will be 60% funded by the State of Ohio and 40% funded by local taxpayers. The total co-funded project is estimated at a cost of \$24,782,877. Additionally, in May 2009 the Board passed a 0.25% earned income tax to support Locally Funded Initiatives (LFI) within the building project in the amount of \$4,275,285, to increase the total project cost to an estimated \$29,058,162. Of the total project cost, an estimated \$14,869,726 will be funded by the State of Ohio and an estimated \$14,188,436 will be funded by local taxpayers. The project is currently in preliminary construction stage.

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions 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.

Crestline Exempted Village School District
Crawford County
Statement of Net Assets - Cash Basis
June 30, 2011

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 21,759,994
Cash With Fiscal Agent	442,406
Cash With Escrow Agent	2,829,085
<i>Total Assets</i>	<i>\$ 25,031,485</i>
 Net Assets	
Restricted for:	
Debt Service	\$ 650,362
Capital Outlay	21,269,762
Other Purposes	350,838
Bus Reserve	14,291
Set Asides	35,920
Unrestricted	2,710,312
<i>Total Net Assets</i>	<i>\$ 25,031,485</i>

See accompanying notes to the basic financial statement.

Crestline Exempted Village School District
Crawford County
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2011

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	
Governmental Activities:					
Instruction:					
Regular	\$ 3,216,671	\$ 351,751	\$ 200,823	\$ 0	\$ (2,664,097)
Special	1,184,193	17,276	516,072	0	(650,845)
Other	412,994	0	266,221	0	(146,773)
Support Services:					
Pupils	348,179	0	4,349	0	(343,830)
Instructional Staff	355,921	0	62,588	0	(293,333)
Board of Education	25,760	0	0	0	(25,760)
Administration	677,699	0	38,428	0	(639,271)
Fiscal	303,469	3,628	5,000	0	(294,841)
Operation and Maintenance of Plant	583,757	0	18,809	0	(564,948)
Pupil Transportation	297,144	0	0	0	(297,144)
Central	22,178	0	0	0	(22,178)
Operation of Non-Instructional Services:					
Food Services	297,311	61,382	224,665	0	(11,264)
Community Services	64,175	0	58,080	0	(6,095)
Extracurricular Activities	346,779	54,478	14,831	0	(277,470)
Capital Outlay	3,639,251	0	0	8,441,633	4,802,382
Debt Service:					
Repayment of Principal	100,000	0	0	0	(100,000)
Interest and Fiscal Charges	351,415	0	6,862	0	(344,553)
Total Governmental Activities	\$ 12,226,896	\$ 488,515	\$ 1,416,728	\$ 8,441,633	(1,880,020)

General Receipts

Property Taxes Levied for:	
General Purposes	1,988,186
Debt Service	518,605
Capital Improvements	111,229
Income Taxes	88,559
Payments in Lieu of Taxes	25,262
Grants and Entitlements not Restricted to Specific Programs	4,537,964
Proceeds from the Sale of Assets	31,754
Refund of Prior Year Disbursements	13,544
Interest	17,091
Miscellaneous	59,810
Total General Receipts	7,392,004
Change in Net Assets	5,511,984
<i>Net Assets Beginning of Year - Restated (Note 3)</i>	<u>19,519,501</u>
<i>Net Assets End of Year</i>	<u><u>\$ 25,031,485</u></u>

See accompanying notes to the basic financial statement.

Crestline Exempted Village School District
Crawford County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2011

	General Fund	Building	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Investments	\$ 2,586,140	\$ 0	\$ 18,335,828	\$ 787,815	\$ 21,709,783
Cash With Fiscal Agent	0	0	0	294,862	294,862
Cash With Escrow Agent	0	2,735,929	93,156	0	2,829,085
Restricted Pooled Cash and Investments	50,211	0	0	0	50,211
<i>Total Assets</i>	<u>\$ 2,636,351</u>	<u>\$ 2,735,929</u>	<u>\$ 18,428,984</u>	<u>\$ 1,082,677</u>	<u>\$ 24,883,941</u>
Fund Balances					
Restricted	\$ 14,291	\$ 2,735,929	\$ 18,428,984	\$ 1,079,882	\$ 22,259,086
Committed	0	0	0	2,795	2,795
Assigned	83,193	0	0	0	83,193
Unassigned	2,538,867	0	0	0	2,538,867
<i>Total Fund Balances</i>	<u>\$ 2,636,351</u>	<u>\$ 2,735,929</u>	<u>\$ 18,428,984</u>	<u>\$ 1,082,677</u>	<u>\$ 24,883,941</u>

See accompanying notes to the basic financial statement.

Crestline Exempted Village School District

Crawford County

Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities

June 30, 2011

Total Governmental Fund Balances \$ 24,883,941

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

The internal service fund was used by management to charge the costs of insurance to individual funds. The net assets of the internal service fund are included in the governmental activities in the statement of net assets.

147,544

Net Assets of Governmental Activities

\$25,031,485

See accompanying notes to the basic financial statement.

Crestline Exempted Village School District

Crawford County

*Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds*

For the Fiscal Year Ended June 30, 2011

	General Fund	Building	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Receipts					
Taxes	\$ 1,988,186	\$ 0	\$ 0	\$ 629,833	\$ 2,618,019
Income Tax	88,559	0	0	0	88,559
Intergovernmental	4,451,585	0	8,327,267	1,546,171	14,325,023
Interest	17,091	5,856	41,970	5,721	70,638
Tuition and Fees	346,276	0	0	20,260	366,536
Extracurricular Activities	9,531	0	0	45,158	54,689
Gifts and Donations	1,363	0	0	10,325	11,688
Customer Sales and Services	17,186	0	0	66,152	83,338
Payments in Lieu of Taxes	25,262	0	0	0	25,262
Miscellaneous	47,082	0	0	1,299	48,381
<i>Total Receipts</i>	<u>6,992,121</u>	<u>5,856</u>	<u>8,369,237</u>	<u>2,324,919</u>	<u>17,692,133</u>
Disbursements					
Current:					
Instruction:					
Regular	3,010,031	0	0	216,231	3,226,262
Special	725,830	0	0	458,363	1,184,193
Other	396,179	0	0	16,815	412,994
Support Services:					
Pupils	336,549	0	0	11,630	348,179
Instructional Staff	268,012	0	0	87,909	355,921
Board of Education	25,760	0	0	0	25,760
Administration	388,349	0	0	289,350	677,699
Fiscal	278,918	0	0	24,551	303,469
Operation and Maintenance of Plant	583,689	0	0	68	583,757
Pupil Transportation	297,144	0	0	0	297,144
Central	22,178	0	0	0	22,178
Operation of Non-Instructional Services:					
Food Services	0	0	0	297,311	297,311
Community Services	6,716	0	0	57,459	64,175
Extracurricular Activities	278,909	0	0	67,870	346,779
Capital Outlay	5,558	562,117	3,071,576	0	3,639,251
Debt Service:					
Repayment of Principal	100,000	0	0	0	100,000
Interest and Fiscal Charges	30,109	0	0	321,306	351,415
<i>Total Disbursements</i>	<u>6,753,931</u>	<u>562,117</u>	<u>3,071,576</u>	<u>1,848,863</u>	<u>12,236,487</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>238,190</u>	<u>(556,261)</u>	<u>5,297,661</u>	<u>476,056</u>	<u>5,455,646</u>
Other Financing Sources (Uses)					
Proceeds from Sale of Capital Assets	754	31,000	0	0	31,754
Refund of Prior Year Disbursements	13,544	0	0	0	13,544
Refund of Prior Year Receipts	(786)	0	0	(47)	(833)
Transfers-In	8,518	1,945	888,720	38,536	937,719
Transfers-Out	(1,945)	(888,720)	0	(47,054)	(937,719)
<i>Total Other Financing Sources (Uses)</i>	<u>20,085</u>	<u>(855,775)</u>	<u>888,720</u>	<u>(8,565)</u>	<u>44,465</u>
<i>Net Change in Fund Balances</i>	258,275	(1,412,036)	6,186,381	467,491	5,500,111
<i>Fund Balances Beginning of Year - Restated (Note 3)</i>	<u>2,450,880</u>	<u>4,147,965</u>	<u>12,242,603</u>	<u>542,382</u>	<u>19,383,830</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,709,155</u>	<u>\$ 2,735,929</u>	<u>\$ 18,428,984</u>	<u>\$ 1,009,873</u>	<u>\$ 24,883,941</u>

See accompanying notes to the basic financial statement.

**Crestline Exempted Village School District
Crawford County**

*Reconciliation of the Statement of Cash Receipts, Disbursements and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2011*

Net Change in Fund Balances - Total Governmental Funds \$5,500,111

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

Internal service fund charges insurance costs to other funds. The entity-wide statements eliminate governmental fund disbursements and related internal service fund charges. Governmental activities report allocated net internal service fund receipts (disbursements). 11,873

Change in Net Assets of Governmental Activities \$5,511,984

See accompanying notes to the basic financial statement.

Crestline Exempted Village School District
Crawford County
Statement of Cash Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Property Taxes	\$ 2,078,262	\$ 1,984,514	\$ 1,988,186	\$ 3,672
Income Taxes	120,400	88,559	88,559	0
Intergovernmental	4,290,898	4,198,560	4,451,585	253,025
Interest	30,658	17,091	17,091	0
Tuition and Fees	209,217	333,016	333,016	0
Customer Sales and Service	9,180	17,186	17,186	0
Payments in Lieu of Taxes	25,262	25,262	25,262	0
Miscellaneous	16,486	37,924	37,924	0
<i>Total Receipts</i>	<u>6,780,363</u>	<u>6,702,112</u>	<u>6,958,809</u>	<u>256,697</u>
Disbursements				
Current:				
Instruction:				
Regular	3,210,160	2,992,357	2,992,357	0
Special	519,399	552,675	736,568	(183,893)
Other	453,979	396,179	396,179	0
Support Services:				
Pupils	306,161	345,335	345,335	0
Instructional Staff	320,170	284,065	284,065	0
Board of Education	40,846	25,760	25,760	0
Administration	344,074	388,435	388,435	0
Fiscal	272,055	280,736	280,736	0
Operation and Maintenance of Plant	599,897	585,217	585,217	0
Pupil Transportation	299,157	296,924	296,924	0
Central	18,055	22,178	22,178	0
Extracurricular Activities	275,991	279,804	279,804	0
Capital Outlay:				
Facilities Acquisition and Construction	7,718	6,140	6,140	0
Debt Service:				
Principal	0	100,000	100,000	0
Interest	98,020	30,109	30,109	0
<i>Total Disbursements</i>	<u>6,765,682</u>	<u>6,585,914</u>	<u>6,769,807</u>	<u>(183,893)</u>
<i>Excess of Receipts Over Disbursements</i>	<u>14,681</u>	<u>116,198</u>	<u>189,002</u>	<u>72,804</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	4,428	754	754	0
Refund of Prior Year Expenditures	0	13,544	13,544	0
Refund of Prior Year Receipts	(8,284)	(786)	(786)	0
Transfers-In	11,324	19,821	19,821	0
Transfers-Out	0	(4,092)	(4,092)	0
<i>Total Other Financing Sources (Uses)</i>	<u>7,468</u>	<u>29,241</u>	<u>29,241</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	22,149	145,439	218,243	72,804
<i>Fund Balance - Beginning of Year</i>	2,407,345	2,407,345	2,407,345	0
<i>Prior Year Encumbrances Appropriated</i>	7,352	7,352	7,352	0
<i>Fund Balance - End of Year</i>	<u>\$ 2,436,846</u>	<u>\$ 2,560,136</u>	<u>\$ 2,632,940</u>	<u>\$ 72,804</u>

See accompanying notes to the basic financial statement.

Crestline Exempted Village School District
Crawford County
Statement of Fund Net Assets - Cash Basis
Proprietary Fund
June 30, 2011

	Governmental Activities - Internal Service Fund
Assets	
Cash with Fiscal Agent	\$ 147,544
Net Assets	
Unrestricted	\$ 147,544
Total Net Assets	\$ 147,544

See accompanying notes to the basic financial statement.

Crestline Exempted Village School District

Crawford County

Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets - Cash Basis

Proprietary Fund

For the Fiscal Year Ended June 30, 2011

	Governmental Activities - Internal Service Fund
Operating Receipts	
Charges for Services	<u>\$ 1,015,532</u>
Operating Disbursements	
Purchased Services	298,268
Claims	<u>707,673</u>
<i>Total Operating Disbursements</i>	<u>1,005,941</u>
<i>Operating Income</i>	<u>9,591</u>
Non-Operating Receipts	
Interest	<u>2,282</u>
<i>Change in Net Assets</i>	11,873
<i>Net Assets Beginning of Year - Restated (Note 3)</i>	<u>135,671</u>
<i>Net Assets End of Year</i>	<u><u>\$ 147,544</u></u>

See accompanying notes to the basic financial statement.

Crestline Exempted Village School District
Crawford County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
June 30, 2011

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 660	\$ 22,033
 Net Assets		
Held in Trust for Students	\$ 660	\$ 22,033
 Total Net Assets	\$ 660	\$ 22,033

See accompanying notes to the basic financial statement.

Crestline Exempted Village School District
Crawford County
Statement of Changes in Fiduciary Net Assets - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2011

	Private Purpose Trust
Additions	\$ 0
Deductions	0
<i>Change in Net Assets</i>	0
<i>Net Assets Beginning of Year - Restated (Note 3)</i>	660
<i>Net Assets End of Year</i>	\$ 660

See accompanying notes to the basic financial statement.

**Crestline Exempted Village School District
Crawford County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Crestline Exempted Village School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally elected, five-member Board. The School District provides educational services as authorized by its charter or further mandated by state and/or federal agencies. The Board controls the School District’s five instructional/support facilities staffed by 57 certified teaching personnel and 34 non-certified support personnel to provide services to 805 students and other community members.

The School District lies entirely within Crawford and Richland Counties.

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organizations’ resources; or (3) the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or (4) the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, Crestline Exempted Village School District has no component units. The basic financial statements of the reporting entity include only those of the School District (the primary government).

The following activities are included within the reporting entity:

Parochial Schools – Within the School 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 School District, as directed by the parochial schools. The fiduciary responsibility of the School District for these monies is reflected in a special revenue fund for financial reporting purposes.

The School District is associated with one jointly governed organization, an insurance pool, and a related entity. These organizations include the Heartland Council of Governments/North Central Ohio Computer Cooperative, Ohio Mid-Eastern Regional Educational Services Agency, and Crestline Public Library. Information about these organizations is presented in Notes 15, 16 and 17 of the basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.A., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The FASB has codified its standards and the standards issued prior to November 30, 1989, are included in the codification.

**Crestline Exempted Village School District
Crawford County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Following are the more significant of the School District’s accounting policies.

A. Basis of Accounting

Although required by Ohio Administrative Code Sections 117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary presentations report budgetary disbursements when a commitment is made (i.e. when an encumbrance is approved). Differences between disbursements reported in the fund and entity-wide statements versus budgetary disbursements are due to encumbrances outstanding at the beginning and end of the fiscal year.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

B. Basis of Presentation - Fund Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and statement of activities display information about the School District as a whole. The statements include all funds of the School District except for proprietary and fiduciary funds.

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

FUND FINANCIAL STATEMENTS

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The focus of governmental financial statement is on major funds. Each major fund is presented in a single column. Proprietary and fiduciary funds are reported by type.

Fund financial statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts and disbursements. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental category.

**Crestline Exempted Village School District
Crawford County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation - Fund Accounting (continued)

FUND FINANCIAL STATEMENTS (continued)

A fund is considered major if it is the primary operating fund of the School District or meets the following criteria:

1. Total assets, receipts, or disbursements of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, receipts, or disbursements of the individual governmental fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds/Governmental Activities

Governmental funds are those through which most governmental functions of the School District are financed. The following are the School District's major governmental funds:

General Fund – The general fund is the primary operating fund of the School District and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. The general fund balance is available for any purpose provided it is disbursed or transferred according to the general laws of Ohio.

Building Fund – The building fund is used to account for the construction of school buildings and other school facilities.

Classroom Facilities Fund – This fund is used to account for monies received and disbursed in connection with contracts entered into by the School District and the Ohio Department of Education for the building and equipping of classroom facilities.

The other governmental funds of the School District account for grants and other resources in which the School District is bound to observe constraints imposed upon the use of the resources.

Proprietary Fund Types

Proprietary funds are used to account for the School District's ongoing activities which are similar to those often found in the private sector. The School District has no enterprise funds. Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments, on a cost-reimbursement basis. The only internal service fund of the School District, accounts for a self-insurance program which provides medical, prescription and dental benefits to employees.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include private purpose trust funds and agency funds. The School District's private purpose trust funds account for assets held by the School District that are not available to fund the School District's programs. Agency funds are custodial in nature (assets equal net assets) and do not involve measurement of results of operations. The School District's agency funds account for various student activities.

**Crestline Exempted Village School District
Crawford County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process

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.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

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 disbursements 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 the Crawford County Budget Commission for rate determination.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources, which states the projected receipts of each fund. Prior to July 1, the School District must revise its budget so that total contemplated disbursements 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 of estimated resources 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 receipts are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the original and final amended certificate of estimated resources during the fiscal year.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School 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 School District has elected to present budgetary statement comparisons at the fund and function level of expenditures.

**Crestline Exempted Village School District
Crawford County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process (continued)

Appropriations (continued)

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.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the disbursement of monies are recorded as the equivalent of disbursements on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Disbursements plus encumbrances may not legally exceed appropriations. Encumbrances outstanding at fiscal year-end are reported as an assigned or restricted fund balance for subsequent-year disbursements of governmental funds.

Lapsing of Appropriations

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

D. Cash and Investments

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or used to purchase investments. Individual fund integrity is maintained through School District accounting records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as "equity in pooled cash and investments." Investments with an original maturity of more than three months that are not made from the pool are reported as "investments." During fiscal year 2011, investments were limited to federal agency securities, U.S. Government money markets, and non-negotiable certificates of deposit.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2011 were \$17,091, which includes \$836 assigned from other School District funds.

An analysis of the School District's investments is provided in Note 4 of the basic financial statements.

**Crestline Exempted Village School District
Crawford County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying cash basis financial statements. Depreciation is not recorded on these capital assets.

F. Accumulated Leave

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

G. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds is not reported as a liability on the cash basis financial statements. The debt proceeds are reported when cash is received and payment of principal and interest are reported as disbursements when paid.

H. Intergovernmental Receipts

Unrestricted intergovernmental revenues received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants are recorded as receipts when the grant is received.

I. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets, but as disbursements in the accompanying cash basis financial statements.

J. Interfund Receivables/Payables

During the course of normal operations, the School District has transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another are treated as disbursements in the reimbursing fund and a reduction in disbursements in the reimbursed fund.

These transactions are not recorded as liabilities or assets, but are reported as other financing sources/uses in governmental funds in the accompanying financial statements.

A summary of interfund transfers can be found in Note 20 of the basis financial statements.

K. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 11 and 12, the employer contributions include portions for pension benefits and for post-retirement health care benefits.

**Crestline Exempted Village School District
Crawford County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Equity Classifications

GOVERNMENT-WIDE STATEMENTS

Equity is classified as net assets and displayed in separate components:

1. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation. Net assets restricted for other purposes include resources restricted for capital improvements, Federal and State grants restricted to disbursements for specific purposes and food services. As of June 30, 2011, the School District did not have any net assets restricted by enabling legislation.
2. Unrestricted net assets – All other net assets that do not meet the definition of “restricted.”

The School District’s policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

FUND FINANCIAL STATEMENTS

Governmental fund equity is classified as fund balance. Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

- a. Non-spendable - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.
- b. Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.
- c. Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- d. Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.
- e. Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**Crestline Exempted Village School District
Crawford County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Equity Classifications (continued)

FUND FINANCIAL STATEMENTS (continued)

As mentioned earlier, the School District first applies restricted resources when, an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balances, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

M. Receipts and Disbursements

Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the School District's taxpayers are reported as program receipts. The School District has the following program receipts: charges for service, operating and capital grants, contributions and interest.

All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

N. Implementation of New Accounting Policies

For the year ended June 30, 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" and GASB Statement No. 59, "*Financial Instruments Omnibus*."

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the School District.

**Crestline Exempted Village School District
Crawford County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 3 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND BALANCE/NET ASSETS

The School District previously reported under generally accepted accounting principles (GAAP). Effective July 1, 2010, the School District is reporting under the method described in Note 2(A). Beginning balances were restated on the basis of accounting in Note 2(A).

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned.

All revenue and expense adjustments due to the accrual basis of accounting and the restatement of fund balance/net assets were adjusted as follows:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Classroom Facilities Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balance, GAAP Basis, 6/30/10	\$ 2,437,554	\$ 4,147,965	\$ 12,141,673	\$ 586,303	\$ 19,313,495
Adjustments:					
Revenue Accruals	(2,406,957)	0	(11,477,894)	(757,775)	(14,642,626)
Expense Accruals	2,384,100	0	11,578,824	750,697	14,713,621
Change in Fund Structure	<u>36,183</u>	<u>0</u>	<u>0</u>	<u>(36,843)</u>	<u>(660)</u>
Fund Balance, Cash Basis, 7/01/10	<u>\$ 2,450,880</u>	<u>\$ 4,147,965</u>	<u>\$ 12,242,603</u>	<u>\$ 542,382</u>	<u>\$ 19,383,830</u>

	<u>Internal Service Fund</u>
Net Assets, GAAP Basis, 6/30/10	\$ 47,436
Adjustments:	
Expense Accruals	<u>88,235</u>
Net Assets, Cash Basis, 7/01/10	<u>\$ 135,671</u>

	<u>Governmental Activities</u>	<u>Private Purpose Trust Funds</u>
Net Assets, GAAP Basis 6/30/10	\$ 19,328,457	\$ 0
Revenue Accruals	(17,744,508)	0
Expense Accruals	17,936,212	0
Change in Fund Structure	<u>(660)</u>	<u>660</u>
Net Assets, Cash Basis 7/01/10	<u>\$ 19,519,501</u>	<u>\$ 660</u>

**Crestline Exempted Village School District
Crawford County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest 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 School District, and must be purchased with the expectation that it will be held to maturity.

**Crestline Exempted Village School District
Crawford County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 4 – DEPOSITS AND INVESTMENTS (continued)

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of 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.

Deposits

Custodial credit risk is the risk that, in the event of bank failure, the School 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 School District. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Deposits With Financial Institutions – At fiscal year-end, the carrying amount of the School District’s deposits was \$11,524,943 and the bank balance was \$11,659,726. Of the bank balance, \$564,252 was covered by federal depository insurance and \$11,095,474 was uninsured and collateralized by a 105% public depository pool, which was collateralized with securities held by the financial institution’s trust department but not in the School District’s name. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Cash on Hand – As of June 30, 2011, the School District had \$50 in undeposited cash on hand which is included in the fund balance and is reported on the financial statements as part of “Equity in Pooled Cash and Investments.”

Cash with Fiscal Agent – As of June 30, 2011, the School District has a \$147,544 cash balance with Ohio Mid-Eastern Regional Education Service Agency, which accounts for the OME-RESA Self Insurance fund of employees. The School District is also setting aside monies in a Sinking Fund that will be used to fund the scheduled balloon payment on their long-term obligation described in Note 7. The balance as of June 30, 2011, is \$294,862. These amounts are reported on the financial statements as “Cash with Fiscal Agent”.

Cash with Escrow Agent – At fiscal year-end, \$2,735,929 was on deposit in escrow accounts with U S Bank related to the lease purchase obligations of the School District (see Note 9). The amount on deposit with the escrow agent has been excluded from the investments reported below as it is not part of the School District’s internal investment pool. The School District also has retainage accounts with Citizens Bank for various construction projects totaling \$93,156. The June 30, 2011, balances of these escrow accounts are reported on the financial statements as “Cash with Escrow Agent”.

Investments

Investments are reported at cost. As of June 30, 2011, the School District had the following investments:

	Cost as of 06/30/11	% of Total Investment	Maturities	
			< 1 Year	> 5 Years
Federal Home Loan Bank	\$ 3,791,311	36.96%	\$ 3,509,580	\$ 281,731
Federal Home Loan Bank Discount Notes	1,326,384	12.93%	1,326,384	0
Federal Home Loan Mortgage Company	249,805	2.43%	249,805	
U.S. Government Treasury Bills	4,869,872	47.48%	4,869,872	0
U.S. Government Money Market	20,321	0.20%	20,321	0
Total Investments	\$ 10,257,693	100.00%	\$ 9,975,962	\$ 281,731

**Crestline Exempted Village School District
Crawford County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 4 – DEPOSITS AND INVESTMENTS (continued)

Investments (continued)

Interest Rate Risk

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchases of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The School District's investment policy limits investment portfolio maturities to five years or less as a means of limiting its exposure to losses arising from rising interest rates and in accordance with State law.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School 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.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District's investment policy does not specifically address credit risk beyond requiring the School District to only invest in securities authorized by State statute.

The School District's investments in the federal agency securities were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The U.S. Treasury Bills were rated AAA by Standard & Poor's. The Money Market Funds were not rated.

Concentration of Credit Risk

The School District places no limit on the amount that may be invested in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time. More than 5% of the School District's investments are in Federal Home Loan Bank and U.S. Government Treasury Bills. These investments are 49.89% and 47.48%, respectively, of the School District's total investments listed above.

NOTE 5 – PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School 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 property, public utility property, and certain tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

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

**Crestline Exempted Village School District
Crawford County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 5 – PROPERTY TAXES (continued)

Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School 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 was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated during 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 School District due to the phasing out of the tax. In calendar years 2006 – 2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The School District receives property taxes from Crawford and Richland Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2011 taxes were collected are:

	2010 Second-Half		2011 First-Half	
	<u>Collections</u>		<u>Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential	\$ 53,947,330	76.36	\$ 53,680,860	77.27
Industrial/Commercial	12,934,470	18.31	11,780,510	16.96
Public Utility	3,645,540	5.16	4,007,250	5.77
Tangible Personal Property	119,190	0.17	0	0
Total Assessed Value	\$ 70,646,530	100.00	\$ 69,468,620	100.00
Tax rate per \$1,000 of assessed valuation	\$ 72.55		\$ 72.77	

NOTE 6 – INCOME TAX

On May 5, 2009, the School District’s voters approved a 0.25 percent earned income tax on individuals residing within the School District. The tax became effective on January 1, 2010, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. The School District income tax is credited to the general fund and is used for current operating expenses.

**Crestline Exempted Village School District
Crawford County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 7 – LONG-TERM OBLIGATIONS

Long-term obligations of the School District at June 30, 2011 consisted of the following:

	Interest Rate	Principal Outstanding 6/30/10	Additions	Reductions	Principal Outstanding 6/30/11	Due Within One Year
Ohio School Facilities Construction and Improvement Bonds, Series 2009	1.63%	\$ 9,913,151	\$ 0	\$ 0	\$ 9,913,151	\$ 0
Lease Purchase Obligations		4,575,000	0	100,000	4,475,000	104,000
		<u>\$14,488,151</u>	<u>\$ 0</u>	<u>\$ 100,000</u>	<u>\$14,388,151</u>	<u>\$ 104,000</u>

Ohio School Facilities Construction and Improvement Bonds – On November 24, 2009, the School District issued school facilities construction and improvement bonds, series 2009 (taxable tax credit-qualified school construction bonds) in order to fund the local share required under the Classroom Facilities Assistance Program of the Ohio School Facilities Commission (OSFC). These bonds are general obligations of the School District, for which its full faith and credit is pledged for repayment.

Principal and interest payments are made from the bond retirement fund. The source of payment is an 8.9 mill property tax levy passed in May, 2009. The bonds mature September 15, 2026. Interest payments on the bonds are due on June 1 and December 1 of each year and totaled \$161,584 for the fiscal year 2011. The entire principal amount is due at the final maturity date. The School District is setting aside monies toward this future payment in a sinking fund, described in Note 4 as “cash with fiscal agent.”

Lease-purchase obligations – The lease-purchase obligations will be paid from the general fund and the permanent improvement fund (a non-major governmental fund). See Note 9 for more detail.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2011, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 0	\$ 161,584	\$ 161,584
2013	0	161,584	161,584
2014	0	161,584	161,584
2015	0	161,584	161,584
2016	0	161,584	161,584
2017-2021	0	807,920	807,920
2022-2026	0	807,920	807,920
2027	9,913,151	46,680	9,959,831
Total	<u>\$9,913,151</u>	<u>\$2,470,440</u>	<u>\$12,383,591</u>

NOTE 8 – LEGAL DEBT MARGIN

The Ohio Revised Code provides that voted net general obligation debt of the School District shall never exceed 9% of the total assessed valuation of the School District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School 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 School District. The assessed valuation used in determining the School 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 School 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, 2011, are a voted debt margin of \$(3,366,113), including available funds of \$650,361, and an unvoted debt margin of \$69,469. The School District has been authorized to exceed its overall limitation because it has been designated as a “special needs” school district.

**Crestline Exempted Village School District
Crawford County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 9 – LEASE-PURCHASE AGREEMENTS

- A. On August 13, 2009, the School District entered into a \$4,337,000 lease-purchase agreement with the Columbus Regional Airport Authority to finance a portion of the School District’s school facilities construction project. The lease agreement required the School District to establish an escrow account with US Bank, as disclosed in Note 4. The School District draws down funds from the account as construction bills come due. Capital assets acquired by the lease have not been capitalized in the cash basis financial statements. Fiscal year 2011 principal and interest payments of \$100,000 and \$184,984, respectively, were paid from the general and permanent improvement funds.

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the future minimum lease payments as of June 30, 2011:

<u>Fiscal Year ending June 30</u>	
2012	\$ 284,614
2013	284,069
2014	284,349
2015	283,411
2016	283,298
2017-2021	1,415,640
2022-2026	1,410,031
2027-2031	1,402,595
2032-2035	<u>1,116,421</u>
Total minimum lease payments	6,764,428
Less: amount representing interest	<u>(2,604,428)</u>
Total	<u>\$ 4,160,000</u>

- B. On March 31, 2010, the School District entered into a \$315,000 lease-purchase agreement with the Columbus Regional Airport authority to pay for the issuance costs and fees related to the School District’s bond issue (see Note 7 for details). The agreement required the School District to establish an escrow account with US Bank, as disclosed in Note 4. The School District draws down funds from these accounts as needed in order to cover expenses incurred.

Principal payments are deferred until fiscal year 2014. Fiscal year 2011 interest payments of \$12,898 were made from the general fund.

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the future minimum lease payments as of June 30, 2011:

<u>Fiscal Year ending June 30</u>	
2012	\$ 11,040
2013	11,010
2014	31,025
2015	30,325
2016	29,638
2017-2021	152,089
2022-2026	<u>155,226</u>
Total minimum lease payments	420,353
Less: amount representing interest	<u>(105,353)</u>
Total	<u>\$ 315,000</u>

**Crestline Exempted Village School District
Crawford County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 10 – RISK MANAGEMENT

1. Property and Liability

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2011, the School District retained property insurance coverage, boiler and machinery coverage, and inland marine floaters in the blanket amount of \$21,502,135 with 100% coinsurance, replacement cost endorsement and a \$1,000 deductible. Vehicles are also covered 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.

Hylant Administrative Services, LLC, provides general liability coverage with a \$5,000,000 single occurrence limit and a \$7,000,000 aggregate limit. The general liability insurance does not carry a deductible.

There has been no significant reduction in insurance coverage from last fiscal year, nor have there been any claims in excess of coverage limits in any of the past three years.

2. Workers' Compensation

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

3. Employee Dishonesty Bonds

The School 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 School District.

4. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to all regular contracted employees through Metropolitan Education Council (MEC) in the amount of \$40,000. Administrative staff is insured as follows:

Superintendent	\$40,000
Treasurer	68,000
High School Principal	76,000
Middle School Principal	67,000
Elementary Principal	67,000

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.

3. Employee Group Medical and Dental Insurance

The School District offers medical, prescription, and dental insurance to employees through a self-insurance program. The School District has established a self-insurance internal service fund to account for this activity. The School District is a member of the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) self-insurance plan, a claims servicing pool, consisting of over fifty members, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The Jefferson County Educational Service Center is fiscal agent for the OME-RESA self-insurance plan.

**Crestline Exempted Village School District
Crawford County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 11 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing SERS, 300 E. Broad Street, Suite 100, Columbus, Ohio 43215-3746 or on their website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. 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 Retirement Board acting with the advice of actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds.

The School District's contributions to SERS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$117,839, \$134,240, and \$94,948, respectively; which equaled the required contributions each year.

B. State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Description – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. 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.

**Crestline Exempted Village School District
Crawford County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System (continued)

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more year of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1 percent of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65 whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3 percent of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DV Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members’ beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

Funding Policy – For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

**Crestline Exempted Village School District
Crawford County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System (continued)

The School District's contributions for pension obligations for the fiscal years ended June 30, 2011, 2010 and 2009, were \$417,075, \$431,476, and \$429,624, respectively; which equaled the required contributions for each year. 84 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$15,133 made by the School District and \$10,809 made by the plan members.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's 2010 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771 or by visiting the STRS Ohio website at www.strsoh.org.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. The Board's liability is 6.2 percent of wages paid. As of June 30, 2011, none of the Board of Education members have elected social security.

NOTE 12 – POST EMPLOYMENT BENEFITS

The School 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"). Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

A. State Teachers Retirement System

Plan Description – STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan. Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy – Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the fiscal years ended June 30, 2011, 2010 and 2009. The 14 percent employer contribution rate is the maximum rate established under Ohio Law. The School District's contributions for post-employment health care for fiscal years ended June 30, 2011, 2010 and 2009, were \$32,083, \$33,190, and \$33,048, respectively; 84 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**Crestline Exempted Village School District
Crawford County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 12 – POST EMPLOYMENT BENEFITS (continued)

B. School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan SERS administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999, Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation is .76 percent. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010 and 2009, were \$7,583, \$7,983, and \$7,834, respectively, which equaled the required contributions each year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the fiscal year ended June 30, 2011, the health care allocation is 1.43 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions assigned to health care for the fiscal years ended June 30, 2011, 2010 and 2009, were \$14,268, \$25,519, and \$63,597, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free 800-878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

**Crestline Exempted Village School District
Crawford County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 13 – FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities Local Share</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Restricted for:					
Capital Improvements	\$ 0	\$ 2,735,929	\$ 18,428,984	\$ 104,856	\$ 21,269,769
Debt Service	0	0	0	650,362	650,362
Classroom Facilities Maintenance	0	0	0	114,690	114,690
Food Service Operations	0	0	0	109,561	109,561
Bus Purchase	14,291	0	0	0	14,291
Special Education	0	0	0	21,385	21,385
Student Activities	0	0	0	21,897	21,897
Information Systems	0	0	0	7,608	7,608
Auxiliary Services	0	0	0	18,297	18,297
Teacher Quality Improvement	0	0	0	2,387	2,387
Preschool	0	0	0	21,185	21,185
Learning Opportunities	0	0	0	7,654	7,654
Total Restricted	<u>14,291</u>	<u>2,735,929</u>	<u>18,428,984</u>	<u>1,079,882</u>	<u>22,259,086</u>
Committed to:					
Educational Activities	0	0	0	2,795	2,795
Total Committed	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,795</u>	<u>2,795</u>
Assigned to:					
Educational Activities	23,379	0	0	0	23,379
Budget Reserve	14,724	0	0	0	14,724
Unpaid Obligations	45,090	0	0	0	45,090
Total Assigned	<u>83,193</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>83,193</u>
Unassigned	<u>2,538,867</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,538,867</u>
Total Fund Balance	<u><u>\$ 2,636,351</u></u>	<u><u>\$ 2,735,929</u></u>	<u><u>\$ 18,428,984</u></u>	<u><u>\$ 1,082,677</u></u>	<u><u>\$ 24,883,941</u></u>

NOTE 14 – STATUTORY RESERVES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2011, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year-end. Effective July 1, 2011, the textbook set-aside laws have been repealed.

**Crestline Exempted Village School District
Crawford County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 14 – STATUTORY RESERVES (continued)

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and workers compensation during fiscal year 2011.

	Textbook Reserve	Capital Maintenance Reserve	Bureau of Workers Compensation Reserve
Set-Aside Restricted Balance June 30, 2010	\$ 0	\$ 0	\$ 35,920
Current Year Set-Aside Requirement	104,536	104,536	0
Current Year Qualifying Disbursements	(6,230)	(31,563)	0
Excess Qualified Expenditures from Prior Years	(598,756)	0	0
Current Year Offsets	0	(111,682)	0
Prior Year Offset from Bond Proceeds	0	(9,913,151)	0
Total	<u>\$ (500,450)</u>	<u>\$ (9,951,860)</u>	<u>\$ 35,920</u>
Balance Carried Forward to Fiscal Year 2012	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Set-Aside Restricted Balance June 30, 2011	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 35,920</u>

As the textbook law is repealed as of July 1, 2011, the negative amount is not presented as being carried forward to future years.

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS

Heartland Council of Governments/North Central Ohio Computer Cooperative (the “COG”) – The COG is a jointly governed organization among 16 school districts, one educational service center and a career center. The COG is an association of public school districts within the boundaries of Ashland, Crawford, Huron, Marion, Morrow, Richland, Seneca, and Wyandot counties. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each member school district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Cooperative Assembly consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Cooperative Assembly. During fiscal year 2010, the District paid \$102,720 to the COG for various services. 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.

NOTE 16 – INSURANCE PURCHASING POOL

Ohio Mid-Eastern Regional Educational Services Agency – The School District is a participant with several other school districts in an insurance purchasing pool to operate the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA). OME-RESA was formed for the purpose of providing insurance. OME-RESA is governed by a board of directors consisting of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board.

NOTE 17 – RELATED ENTITY

Crestline Public Library (the “Library”)

The School District appoints the Governing Board of the Library; however, the School District cannot influence the Library’s operation, nor does the Library represent a potential financial benefit for or burden on the School District. The School 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 School District must place the levy on the ballot. The Library may not issue debt. The Library determines its own budget.

**Crestline Exempted Village School District
Crawford County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 18 – CONTRACTUAL COMMITMENTS

At June 30, 2011, the School District has the following contractual commitments:

<u>Contractor/Vendor</u>	<u>Contracted Amount</u>	<u>Amount Remaining</u>	<u>Description</u>
Baumann Enterprises	\$ 722,000	\$ 98,357	Middle school demolition
Telamon Construction	2,091,999	439,490	Site work
Cuyahoga Fencing	79,175	30,547	Fencing
CTL Engineering	99,000	67,804	Testing services
Jackson & Son Drilling & Pump, Inc.	1,043,000	18,322	Geothermal
MKC & Associates, Inc.	1,527,665	352,891	Design
Adena Corp.	10,895,000	10,895,000	General trades
Standard Plumbing & Heating Co.	1,096,800	1,096,800	Plumbing
Standard Plumbing & Heating Co.	3,247,000	3,247,000	HVAC
Spring Electrical Contracting	2,427,475	2,427,475	Electrical
Farnham Equipment Co.	558,860	558,860	Casework
Breckenridge Equipment & Design, Inc.	291,846	291,846	Kitchen equipment
Southeast Security Corp.	969,060	969,060	Technology

NOTE 19– CONTINGENCIES

Grants

The School District receives significant financial assistance from 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

Litigation

The School District is not involved in any material litigation, either as plaintiff or defendant.

NOTE 20 – INTERFUND ACTIVITY

During fiscal year 2011, the School District made transfers between funds as follows:

	<u>Transfers-In</u>	<u>Transfers-Out</u>
General Fund	\$ 8,518	\$ 1,945
Building Fund	1,945	888,720
Classroom Facilities	888,720	0
Other Governmental Funds:		
3 Mill Permanent Improvement	0	38,536
Classroom Facilities Maintenance	38,536	0
O W A	0	1,060
Poverty Based Assistance	0	7,458
Total Other Governmental Funds	<u>38,536</u>	<u>47,054</u>
Total	<u>\$ 937,719</u>	<u>\$ 937,719</u>

During fiscal year 2011, transfers were made by the General Fund to move an unrestricted balance to the Building Fund to support operations. \$888,720 was transferred from the Building Fund to the Classroom Facilities Fund for disbursements in the construction of the new school building. \$38,536 was transferred from the 3 Mill Permanent Improvement Fund per the terms of the project agreement. \$8,518 residual balances were transferred to the General Fund by the O W A and Poverty Based Assistance funds as the funds were closed during fiscal year 2011.

**Crestline Exempted Village School District
Crawford County**

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 21 – BUDGETARY BASIS OF ACCOUNTING

The statement of receipts, disbursements and changes in fund balance – budget and actual (cash 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 cash basis are that:

- (a) 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 a disbursement; and,
- (b) Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

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

	<u>General Fund</u>
Budget basis	\$ 218,243
Funds budgeted elsewhere **	(4,834)
Adjustment for encumbrances	<u>44,866</u>
Cash basis	<u><u>\$ 258,275</u></u>

** As part of Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting”, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a cash basis. This includes public school support funds and unclaimed monies.

NOTE 22 – ACCOUNTABILITY AND COMPLIANCE

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2011, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

December 31, 2011

The Board of Education
Crestline Exempted Village School District
Crestline, Ohio 44827

**INDEPENDENT AUDITOR'S 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**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information prepared on the cash basis of accounting of Crestline Exempted Village School District (the "School District") as of and for the year ended June 30, 2011, and have issued our report thereon dated December 31, 2011. 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

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

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described as Finding 2011-01 in the accompanying *Schedule of Findings and Questioned Costs* that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying *Schedule of Findings and Questioned Costs* as Finding 2011-02.

Crestline Exempted Village School District
Independent Auditor's 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
December 31, 2011
Page 2

We noted certain matters that we reported to management of the School District in a separate letter dated December 31, 2011.

Crestline Exempted Village School District's responses to the findings identified in our audit are described in the accompanying *Schedule of Findings and Questioned Costs*. We did not audit the School District's responses and, accordingly, we express no opinion on them.

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

Hea & Associates, Inc.

The Board of Education
Crestline Exempted Village School District
Crestline, Ohio 44827

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of Crestline Exempted Village School District (the "School District") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of School District's management. Our responsibility is to express an opinion on the 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, Crestline Exempted Village School District complied, in all material respects, with the compliance requirements referred to above that are could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

Management of the 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 the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB circular A-133, 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 the School District's internal control over compliance.

Crestline Exempted Village School District
Independent Auditor's Report on Compliance with
Requirements That Could Have a Direct and Material
Effect on Each Major Program and Internal Control
Over Compliance in Accordance With OMB Circular A-133
December 31, 2011
Page 2

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Hea & Associates, Inc.

Crestline Exempted Village School District
Crawford County
Schedule of Expenditures of Federal Awards - Cash Basis
For the Fiscal Year Ended June 30, 2011

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements
U. S. Department of Education				
(Passed Through Ohio Department of Education):				
<i>Title I Cluster:</i>				
Title I	84.010	2010	\$ 61,391	\$ 33,837
Title I	84.010	2011	206,219	195,546
Title I- ARRA	84.389	2010	2,973	6,902
Title I- ARRA	84.389	2011	34,411	32,448
Title I- School Improvement Sub A	84.010	2010	29,669	27,600
<i>Total Title I Cluster</i>			334,663	296,333
<i>Special Education Cluster:</i>				
Special Education_Grants to States	84.027	2010	31,423	35,524
Special Education_Grants to States	84.027	2011	169,794	162,060
Special Education_Grants to States- ARRA	84.391	2010	25,759	33,130
Special Education_Grants to States- ARRA	84.391	2011	16,180	15,304
<i>Total Special Education_Grants to States</i>			243,156	246,018
Special Education_Preschool Grants	84.173	2011	4,349	4,349
Special Education_Preschool Grants- ARRA	84.392	2010	1,917	1,986
<i>Total Special Education_Preschool Grants</i>			6,266	6,335
<i>Total Special Education Cluster</i>			249,422	252,353
Safe and Drug-Free Schools and Communities	84.186	2010	2,905	3,228
Twenty-First Century Community Learning Centers	84.287	2010	10,294	17,984
Title V	84.298	2002	(633)	0
Title V	84.298	2003	(763)	0
<i>Total Title V</i>			(1,396)	0
Title II-D	84.318	2003	(1,203)	0
Title II-D - ARRA	84.318	2010	242	152
Title II-D - ARRA	84.318	2011	690	721
<i>Total Title II-D</i>			932	873
Title II-A	84.367	2010	11,698	10,253
Title II-A	84.367	2011	46,827	44,440
<i>Total Title II-A</i>			58,525	54,693
State Fiscal Stabilization Fund - ARRA	84.394	2011	288,403	288,403
Total U.S. Department of Education			942,545	913,867
U. S. Department of Agriculture				
(Passed Through Ohio Department of Education):				
<i>Child Nutrition Cluster:</i>				
School Breakfast Program	10.553	2010	48,691	48,690
National School Lunch Program: Non-Cash Assistance	10.555	2010	12,638	12,638
National School Lunch Program: Cash Assistance	10.555	2011	169,921	169,921
<i>Total Child Nutrition Cluster</i>			231,250	231,249
Child and Adult Care Food Program	10.558	2011	3,900	3,900
Total U.S. Department of Agriculture			235,150	235,149
Total Federal Assistance			\$ 1,177,695	\$ 1,149,016

**Crestline Exempted Village School District
Shelby County**

*Notes to the Schedule of Federal Expenditures of Federal Awards – Cash Basis
For the Fiscal Year Ended June 30, 2011*

Note A – Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of Crestline Exempted Village School District (the “School District”) and is presented on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

Note B – National School Lunch Program

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance and related expenditures are reported in this schedule at the value of the commodities received as assessed by the U.S. Department of Agriculture (entitlement value).

Note C – Matching Requirements

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

Note D – Transfers

The School District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30 and spent by September 30). However, with Ohio Department of Education’s (ODE) approval, a School District can transfer unspent Federal assistance to the succeeding year, thus allowing the School District a total of 27 months to spend the assistance. During the fiscal year, the ODE authorized the following transfers:

<u>CFDA</u>		<u>Program</u>		
<u>Number</u>	<u>Program Title</u>	<u>Year</u>	<u>Transfer Out</u>	<u>Transfer In</u>
84.318	Title II-D – ARRA	2010	\$ 31	
84.318	Title II-D – ARRA	2011		\$ 31

**Crestline Exempted Village School District
Crawford County**

*Schedule of Findings and Questioned Costs
OMB Circular A-133, Section .505
For the Fiscal Year Ended June 30, 2011*

1. SUMMARY OF AUDITOR'S RESULTS

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	Yes
Noncompliance material to financial statements noted?	Yes
 Federal Awards	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	No
 Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No
 Identification of major programs:	State Fiscal Stabilization Fund – Education State Grants – ARRA CFDA #84.394
 Dollar threshold used to distinguish between Type A and type B programs:	\$300,000
 Auditee qualified as low-risk auditee?	Yes

**Crestline Exempted Village School District
Crawford County**

*Schedule of Findings and Questioned Costs
OMB Circular A-133, Section .505
For the Fiscal Year Ended June 30, 2011*

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

**FINDING 2011-01
Significant Deficiency**

Criteria: Financial reporting is the responsibility of the Treasurer of the School District and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

Condition Found: The School District does not currently have internal controls functioning properly over the receipt function. We noted errors in reporting property tax and homestead and rollback revenues. We also noted open enrollment revenues were posted net of expenses instead of at gross amounts.

Effect: Audit adjustments were required as follows:

- To adjust the understatement of open enrollment receipts and disbursements in the General Fund for \$183,893.
- To adjust \$69,132 of homestead and rollback receipts incorrectly posted to the Bond Retirement Fund to the General Fund.
- To adjust \$3,218 property tax receipts incorrectly posted to the Bond Retirement Fund to the General Fund.
- To adjust of \$454 property tax receipts incorrectly posted to the Permanent Improvement Fund to the General Fund.

Recommendations: The School District should implement procedures to review the adjustments identified above and ensure that similar errors are not reported on financial statements in subsequent years.

Corrective Action: Contact Person: Julie Smith, Treasurer

Prior to submission of the audited financial statements, the School District Treasurer posted the adjustments above to the School District's accounting records to correctly state the School District's fund balances. The Treasurer will also train her staff and review receipt postings.

**Crestline Exempted Village School District
Crawford County**

*Schedule of Findings and Questioned Costs
OMB Circular A-133, Section .505
For the Fiscal Year Ended June 30, 2011*

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

**FINDING 2011-02
Material Noncompliance**

Criteria: Ohio Administrative Code Section 117-2-03 requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles.

Condition Found: For fiscal year 2011, the School District prepared its financial statements on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Effect: The accompanying basic financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

Recommendations: The School District should implement procedures to prepare its annual financial report in accordance with generally accepted accounting principles.

Corrective Action: Contact Person: Julie Smith, Treasurer

No corrective action will be implemented. The School District plans to continue reporting on the cash basis of accounting.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted.

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December 31, 2011

Board of Education
Crestline Exempted Village School District
Crestline, Ohio 44827

Independent Accountant's Report on Applying Agreed-Upon Procedure

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Crestline Exempted Village School District (the "School District") has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on November 7, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

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Dave Yost • 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
MARCH 29, 2012**