

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

**BASIC FINANCIAL STATEMENTS
(Audited)**

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2010***



Dave Yost • Auditor of State

Board of Education
Crestline Exempted Village School District
511 South Thoman Street
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, 2009 through June 30, 2010. 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 14, 2011

This Page is Intentionally Left Blank.

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

TABLE OF CONTENTS

Independent Auditor's Report	1- 2
Management's Discussion and Analysis	3 - 12
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	19
Statement of Net Assets - Proprietary Fund	20
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Fund	21
Statement of Cash Flows - Proprietary Fund.....	22
Statement of Fiduciary Net Assets - Fiduciary Fund.....	23
Notes to the Basic Financial Statements.....	24 - 54



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

January 24, 2011

The Board of Education
Crestline Exempted Village School District
511 S. Thoman St.
Crestline, OH 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 District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2011 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Crestline Exempted Village School District
Independent Auditor's Report
January 24, 2011
Page 2

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

Rea & Associates, Inc.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The management's discussion and analysis of the Crestline Exempted Village School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- Net assets of governmental activities increased \$15,296,943 from 2009, primarily due to a \$14,869,726 grant from the Ohio School Facilities Commission (OSFC) for the District's construction project.
- General revenues accounted for \$22,049,943 in revenue or 92.20% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,864,873 or 7.80% of total revenues of \$23,914,816.
- The District had \$8,617,873 in expenses related to governmental activities; \$1,864,873 of these expenses was offset by program specific charges for services, grants and contributions. General revenues (primarily taxes and unrestricted grants and entitlements) of \$22,049,943 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, bond retirement fund, building fund and classroom facilities fund. The general fund had \$6,922,340 in revenues and other financing sources and \$6,726,894 in expenditures. During fiscal year 2010, the general fund's fund balance increased \$195,446 from \$2,242,108 to \$2,437,554.
- The bond retirement fund had \$10,491,293 in revenues and other financing sources and \$10,163,180 in expenditures. The bond retirement fund's fund balance at fiscal year end was \$328,113.
- The building fund had \$4,341,828 in revenues and other financing sources and \$193,863 in expenditures. The building fund had an ending balance of \$4,147,965.
- The classroom facilities fund had \$13,359,432 in revenues and other financing sources and \$1,217,759 in expenditures. The classroom facilities fund had an ending balance of \$12,141,673.

Using these Basic Financial Statements

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

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, bond retirement fund, building fund and classroom facilities fund are presented as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-18 of this report and the budgetary statement for the general fund can be found on page 19.

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for a self-insurance program which provides life, health, dental, and vision benefits to employees. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Reporting the District's Fiduciary Responsibilities

The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets on page 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 24-54 of this report.

The District as a Whole

Recall that the statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2010 and 2009.

	Net Assets	
	Governmental Activities	Governmental Activities
	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Current and other assets	\$ 34,409,835	\$ 5,520,612
Capital assets, net	<u>2,854,834</u>	<u>1,649,612</u>
Total assets	<u>37,264,669</u>	<u>7,170,224</u>
<u>Liabilities</u>		
Current liabilities	2,977,159	2,610,530
Long-term liabilities	<u>14,959,053</u>	<u>528,180</u>
Total liabilities	<u>17,936,212</u>	<u>3,138,710</u>
<u>Net assets</u>		
Invested in capital assets, net of related debt	2,737,971	1,649,612
Restricted	14,497,777	493,677
Unrestricted	<u>2,092,709</u>	<u>1,888,225</u>
Total net assets	<u>\$ 19,328,457</u>	<u>\$ 4,031,514</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$19,328,457. Of this total, \$2,092,709 is unrestricted in use. Net assets increased during 2010 as a result of the District entering into a co-funded construction project with the OSFC.

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

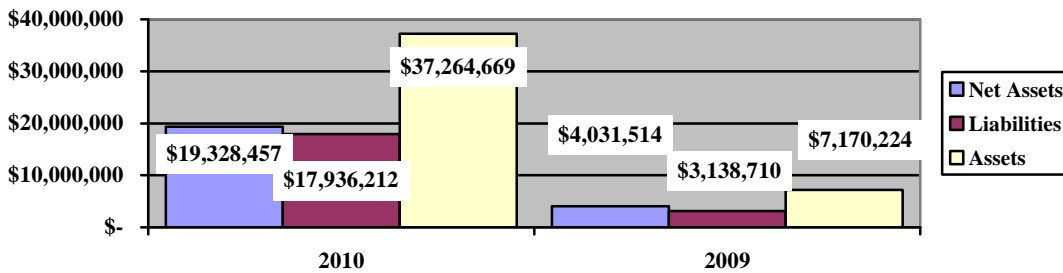
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

At year-end, capital assets represented 7.66% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt, at June 30, 2010, were \$2,737,971. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net assets, \$14,497,777, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$2,092,709 may be used to meet the District's ongoing obligations to the students and creditors.

The table below provides a summary of the District's net assets for 2010 and 2009:

Governmental Activities



The table below shows the change in net assets for fiscal year 2010 and 2009.

Change in Net Assets

	Governmental Activities 2010	Governmental Activities 2009
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 362,323	\$ 405,095
Operating grants, contributions and interest	1,502,550	1,642,391
Capital grants and contributions	-	7,179
General revenues:		
Property taxes	2,633,402	2,236,439
Income taxes	30,846	-
Grants and entitlements	4,403,117	4,181,766
Ohio School Facilities Commission grant	14,869,726	-
Investment earnings	78,667	32,182
Other	34,185	23,810
Total revenues	23,914,816	8,528,862

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Change in Net Assets

	<u>Governmental Activities 2010</u>	<u>Governmental Activities 2009</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 3,202,989	\$ 3,574,872
Special	1,020,812	933,431
Vocational	16,649	30,109
Other	432,354	498,805
Support services:		
Pupil	291,696	448,129
Instructional staff	518,591	437,950
Board of education	46,156	39,065
Administration	707,327	772,800
Fiscal	276,187	258,481
Operations and maintenance	656,611	742,331
Pupil transportation	302,924	297,048
Central	24,696	29,202
Operations of non-instructional services:		
Food service operations	295,026	289,539
Other non-instructional services	50,635	44,756
Extracurricular activities	388,087	390,244
Interest and fiscal charges	<u>387,133</u>	<u>-</u>
Total expenses	<u>8,617,873</u>	<u>8,786,762</u>
Change in net assets	15,296,943	(257,900)
Net assets at beginning of year	<u>4,031,514</u>	<u>4,289,414</u>
Net assets at end of year	<u>\$ 19,328,457</u>	<u>\$ 4,031,514</u>

Governmental Activities

Net assets of the District's governmental activities increased \$15,296,943. Total governmental expenses of \$8,617,873 were offset by program revenues of \$1,864,873 and general revenues of \$22,049,943. Program revenues supported 21.64% of the total governmental expenses.

The primary sources of revenue for governmental activities in fiscal year 2010 are derived from property taxes, unrestricted grants and entitlements, and grants restricted for the OSFC project. These revenue sources represent 91.60% of total governmental revenue.

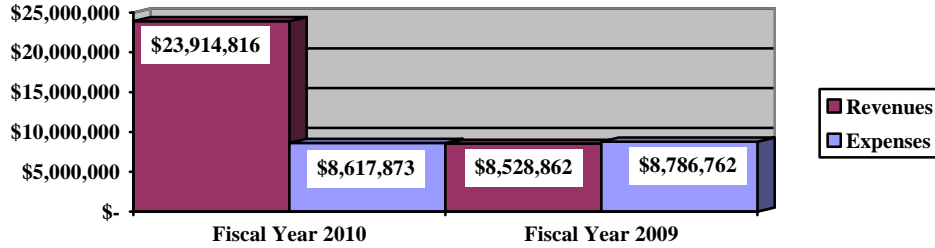
The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,672,804 or 54.22% of total governmental expenses for fiscal year 2010.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2010 and 2009.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Program expenses				
Instruction:				
Regular	\$ 3,202,989	\$ 2,722,874	\$ 3,574,872	\$ 3,099,298
Special	1,020,812	614,501	933,431	191,604
Vocational	16,649	14,701	30,109	28,176
Other	432,354	432,354	498,805	484,124
Support services:				
Pupil	291,696	288,278	448,129	378,442
Instructional staff	518,591	359,755	437,950	272,801
Board of education	46,156	46,156	39,065	39,065
Administration	707,327	364,594	772,800	685,301
Fiscal	276,187	262,713	258,481	253,481
Operations and maintenance	656,611	656,361	742,331	737,871
Pupil transportation	302,924	285,878	297,048	252,479
Central	24,696	18,455	29,202	19,116
Operations of non-instructional services:				
Food service operations	295,026	(32,319)	289,539	(5,860)
Other non-instructional services	50,635	(1,650)	44,756	(10,001)
Extracurricular activities	388,087	333,216	390,244	306,200
Interest and fiscal charges	387,133	387,133	-	-
Total expenses	<u>\$ 8,617,873</u>	<u>\$ 6,753,000</u>	<u>\$ 8,786,762</u>	<u>\$ 6,732,097</u>

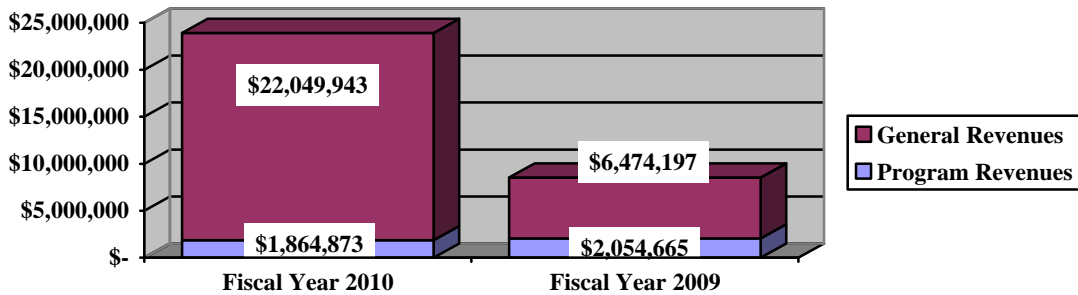
**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The dependence upon tax and other general revenues for governmental activities is apparent, 80.99% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 78.36%. The District's taxpayers and unrestricted grants and entitlements from the State are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2010 and 2009:

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$19,313,495 which is higher than last year's total of \$2,584,911. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance June 30, 2010	Fund Balance June 30, 2009	Increase (Decrease)	Percentage Change
General	\$ 2,437,554	\$ 2,242,108	\$ 195,446	8.72 %
Bond retirement	328,113	-	328,113	100.00 %
Building	4,147,965	-	4,147,965	100.00 %
Classroom facilities	12,141,673	-	12,141,673	100.00 %
Other governmental	258,190	342,803	(84,613)	(24.68) %
Total	\$ 19,313,495	\$ 2,584,911	\$ 16,728,584	647.16 %

The increase in fund balance is due primarily to activity related to the District's construction project. Note and OSFC grant proceeds of \$9,913,151 and \$3,408,675 respectively were received in the classroom facilities fund for the construction project. In addition, the District entered into two lease-purchase agreements to help fund the project, and \$4,337,000 of the lease-purchase proceeds were received in the building fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

General Fund

The District's general fund balance increased \$195,446. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2010 <u>Amount</u>	2009 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Revenues and other financing sources</u>				
Taxes	\$ 2,046,913	\$ 2,190,954	\$ (144,041)	(6.57) %
Tuition	206,293	187,478	18,815	10.04 %
Earnings on investments	33,000	31,360	1,640	5.23 %
Classroom materials and fees	369	-	369	100.00 %
Intergovernmental	4,290,113	4,458,103	(167,990)	(3.77) %
Other revenues	26,224	23,906	2,318	9.70 %
Other financing sources	<u>319,428</u>	<u>8,275</u>	<u>311,153</u>	3,760.16 %
Total	<u>\$ 6,922,340</u>	<u>\$ 6,900,076</u>	<u>\$ 22,264</u>	0.32 %
<u>Expenditures</u>				
Instruction	\$ 3,964,400	\$ 4,123,381	\$ (158,981)	(3.86) %
Support services	2,190,076	2,503,746	(313,670)	(12.53) %
Extracurricular activities	272,506	246,687	25,819	10.47 %
Facilities acquisition and construction	11,156	24,977	(13,821)	(55.33) %
Debt service	<u>288,756</u>	<u>-</u>	<u>288,756</u>	100.00 %
Total	<u>\$ 6,726,894</u>	<u>\$ 6,898,791</u>	<u>\$ (171,897)</u>	(2.49) %

Tax revenues continued to decrease, which is the result of both the phase out of the tangible personal property tax and a reduction in the assessed property values, upon which taxes are based. Intergovernmental revenues decreased 3.77% which is primarily due to a reduction in the school foundation allowance received from the State. Other financing sources in fiscal year 2010 include \$315,000 in proceeds from lease-purchase agreements. Overall, general fund expenditures decreased 2.49%, which is a result of the District's efforts to cut extraneous costs. The decreases in instruction and support services expenditures are primarily the result of lower wages and benefits costs due to a reduction in staff. Debt service expenditures in fiscal year 2010 consist of interest payments on the District's lease-purchase obligations, and various costs and fees associated with the District's bond issue.

Other Major Governmental Funds

Other major governmental funds include the bond retirement fund, building fund and classroom facilities fund. These funds were created during fiscal year 2010 to account for the District's construction project and the related debt. Revenues and other financing sources for these funds totaled \$28,192,553 and expenditures were \$11,574,802.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund. During the course of fiscal year 2010, the District amended the general fund budget. For the general fund, original budgeted revenues and other financing sources were \$6,971,264 and final budgeted revenues and other financing sources were \$6,982,773. Actual revenues and other financing sources for fiscal year 2010 were \$6,990,273. This represents a \$7,500 increase over final budgeted revenues. There were no individually significant items for which the actual revenues exceeded the final budgeted amounts.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

General fund original appropriations (appropriated expenditures including other financing uses) totaled \$6,745,009, and were increased to \$6,871,716 in the final appropriations. The actual budget basis expenditures for fiscal year 2010 totaled \$6,871,391, which is \$325 less than the final budget. There were no individually significant items for which the actual budget basis expenditures exceeded the final appropriated amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the District had \$2,854,834 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2010 balances compared to 2009:

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

	Governmental Activities	
	2010	2009
Land	\$ 138,210	\$ 138,210
Construction in progress	1,349,887	-
Land improvements	304,138	333,075
Building and improvements	741,959	807,427
Furniture and equipment	158,353	178,281
Vehicles	162,287	192,619
Total	\$ 2,854,834	\$ 1,649,612

The overall increase in capital assets is due to capital outlays, primarily for construction in progress, of \$1,366,901 exceeding depreciation expense and disposals, net of accumulated depreciation, of \$161,679.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2010, the District had \$14,488,151 in general obligation bonds and lease-purchase obligations outstanding. Of this amount, \$100,000 is due within one year and \$14,388,151 is due in more than one year. The following table summarizes the debt outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2010</u>
General obligation bonds	\$ 9,913,151
Lease purchase obligations	4,575,000
Total long-term obligations	\$ 14,488,151

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

At June 30, 2010, the District's overall legal debt margin was \$(3,237,945), and the unvoted debt margin was \$70,523. The District has been designated as a "special needs" school district, thereby allowing the District to exceed its overall debt limitation.

See Note 12 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

Overall, the District is fiscally sound. However, it is a fact that school districts face many financial challenges. The first challenge is that although the District had the resources necessary to meet operating expenses in fiscal year 2010, primarily due to receiving federal stimulus dollars to help with salary and fringe obligations that otherwise would have been paid by the general fund, in addition to closely monitoring expenditures, it will be critical that the District's management continues to operate the District within its financial means, in order to avoid operating deficits. According to the District's five-year forecast, in fiscal year 2011 the District will experience an operating deficit if revenues do not increase. District management is currently evaluating revenue options and cuts in expenditures that will provide a balance for a financially stable 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 District will experience a financial blow due to the passage of House Bill 66. The phase-out of tangible personal property tax will prove to be detrimental to District revenues beginning in 2014 as the phase-out will no longer be reimbursed. 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 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 Construction Documents phase and will be bid upon in December of 2010.

The 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 District's Financial Management

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

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents . . .	\$ 5,316,628
Cash with fiscal agent	135,671
Cash with escrow agent	4,173,127
Investments.	9,935,355
Receivables:	
Taxes	2,990,625
Accrued interest.	2,770
Intergovernmental.	11,588,461
Prepayments	12,475
Materials and supplies inventory.	5,636
Unamortized debt issue costs.	249,087
Capital assets:	
Land	138,210
Construction in progress.	1,349,887
Depreciable capital assets, net.	1,366,737
Capital assets, net	2,854,834
Total assets	37,264,669
Liabilities:	
Accounts payable.	22,748
Contracts payable.	91,001
Retainage payable	25,991
Accrued wages and benefits	730,607
Pension obligation payable.	194,911
Intergovernmental payable	22,156
Accrued interest payable	30,209
Unearned revenue	1,771,301
Claims payable.	88,235
Long-term liabilities:	
Due within one year.	157,172
Due in more than one year	14,801,881
Total liabilities	17,936,212
Net assets:	
Invested in capital assets, net of related debt.	2,737,971
Restricted for:	
Capital projects	13,859,881
Classroom facilities maintenance	57,345
Debt service	378,140
Locally funded programs	1,843
State funded programs.	21,159
Federally funded programs	4,947
Student activities	23,700
Other purposes	150,762
Unrestricted.	2,092,709
Total net assets	\$ 19,328,457

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Revenue and Changes in Net Assets
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 3,202,989	\$ 229,440	\$ 250,675	\$ (2,722,874)
Special	1,020,812	3,104	403,207	(614,501)
Vocational	16,649	-	1,948	(14,701)
Other	432,354	-	-	(432,354)
Support services:				
Pupil	291,696	-	3,418	(288,278)
Instructional staff	518,591	4,647	154,189	(359,755)
Board of education	46,156	-	-	(46,156)
Administration	707,327	-	342,733	(364,594)
Fiscal	276,187	-	13,474	(262,713)
Operations and maintenance	656,611	250	-	(656,361)
Pupil transportation	302,924	134	16,912	(285,878)
Central	24,696	-	6,241	(18,455)
Operation of non-instructional services:				
Food service operations	295,026	66,365	260,980	32,319
Other non-instructional services	50,635	6,437	45,848	1,650
Extracurricular activities	388,087	51,946	2,925	(333,216)
Interest and fiscal charges	387,133	-	-	(387,133)
Total governmental activities	\$ 8,617,873	\$ 362,323	\$ 1,502,550	(6,753,000)

General revenues:

Property taxes levied for:	
General purposes	1,971,332
Debt service	550,781
Capital projects	111,289
School district income tax	30,846
Grants and entitlements not restricted to specific programs	4,403,117
Grants and entitlements restricted for Ohio School Facilities Commission	14,869,726
Investment earnings	78,667
Miscellaneous	34,185
Total general revenues	22,049,943
Change in net assets	15,296,943
Net assets at beginning of year	4,031,514
Net assets at end of year	\$ 19,328,457

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Bond Retirement	Building	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in pooled cash and cash equivalents.	\$ 2,337,287	\$ 139,906	\$ -	\$ 2,322,707	\$ 466,517	\$ 5,266,417
Cash with fiscal agent.	25,162	-	4,147,965	-	-	4,173,127
Investments.	-	-	-	9,935,355	-	9,935,355
Receivables:						
Taxes	2,365,896	494,491	-	-	130,238	2,990,625
Accrued interest	1,386	-	-	1,384	-	2,770
Intergovernmental	-	-	-	11,461,051	127,410	11,588,461
Prepayments.	12,475	-	-	-	-	12,475
Materials and supplies inventory.	-	-	-	-	5,636	5,636
Due from other funds	27,200	-	-	-	-	27,200
Restricted assets:						
Equity in pooled cash and cash equivalents	50,211	-	-	-	-	50,211
Total assets	\$ 4,819,617	\$ 634,397	\$ 4,147,965	\$ 23,720,497	\$ 729,801	\$ 34,052,277
Liabilities:						
Accounts payable	\$ 6,680	\$ -	\$ -	\$ -	\$ 16,068	\$ 22,748
Contracts payable.	-	-	-	91,001	-	91,001
Retainage payable.	-	-	-	25,991	-	25,991
Accrued wages and benefits.	554,806	-	-	-	175,801	730,607
Compensated absences payable	35,778	-	-	-	6,806	42,584
Pension obligation payable	131,118	-	-	-	63,793	194,911
Intergovernmental payable	16,662	-	-	-	5,494	22,156
Due to other funds	-	-	-	-	27,200	27,200
Deferred revenue	271,384	62,830	-	11,461,832	14,237	11,810,283
Unearned revenue.	1,365,635	243,454	-	-	162,212	1,771,301
Total liabilities	2,382,063	306,284	-	11,578,824	471,611	14,738,782
Fund balances:						
Reserved for encumbrances	5,243	-	-	395,172	19,758	420,173
Reserved for materials and supplies inventory.	-	-	-	-	5,636	5,636
Reserved for prepayments	12,475	-	-	-	-	12,475
Reserved for tax revenue unavailable for appropriation	712,627	188,207	-	-	40,045	940,879
Reserved for BWC refunds	35,920	-	-	-	-	35,920
Reserved for school bus purchases.	14,291	-	-	-	-	14,291
Unreserved, undesignated, reported in:						
General fund.	1,656,998	-	-	-	-	1,656,998
Special revenue funds	-	-	-	-	64,928	64,928
Debt service fund	-	139,906	-	-	-	139,906
Capital projects funds	-	-	4,147,965	11,746,501	127,823	16,022,289
Total fund balances	2,437,554	328,113	4,147,965	12,141,673	258,190	19,313,495
Total liabilities and fund balances.	\$ 4,819,617	\$ 634,397	\$ 4,147,965	\$ 23,720,497	\$ 729,801	\$ 34,052,277

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2010

Total governmental fund balances		\$	19,313,495
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			2,854,834
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	347,078	
Interest receivable		2,154	
Intergovernmental receivable		<u>11,461,051</u>	
Total			11,810,283
On the statement of net assets interest is accrued on outstanding bonds and lease-purchase obligations, whereas in governmental funds, interest is accrued when due.			(30,209)
Unamortized issue costs on long-term liabilities are not recognized in the funds.			249,087
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.			47,436
Long-term liabilities, including bonds and leases payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds payable		9,913,151	
Lease-purchase obligations payable		4,575,000	
Compensated absences payable		<u>428,318</u>	
Total			<u>(14,916,469)</u>
Net assets of governmental activities		\$	<u>19,328,457</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
From local sources:						
Taxes	\$ 2,046,913	\$ 487,951	\$ -	\$ -	\$ 113,758	\$ 2,648,622
Tuition	206,293	-	-	-	17,181	223,474
Charges for services	-	-	-	-	66,365	66,365
Earnings on investments	33,000	-	4,828	37,606	2,126	77,560
Classroom materials and fees	369	-	-	-	12,253	12,622
Extracurricular	-	-	-	-	54,272	54,272
Other local revenues	26,224	-	-	-	12,596	38,820
Intergovernmental - state	4,290,113	43,340	-	3,408,675	527,005	8,269,133
Intergovernmental - federal	-	-	-	-	1,066,554	1,066,554
Total revenue	<u>6,602,912</u>	<u>531,291</u>	<u>4,828</u>	<u>3,446,281</u>	<u>1,872,110</u>	<u>12,457,422</u>
Expenditures:						
Current:						
Instruction:						
Regular	2,972,707	-	-	-	275,089	3,247,796
Special	542,690	-	-	-	486,389	1,029,079
Vocational	16,649	-	-	-	-	16,649
Other	432,354	-	-	-	-	432,354
Support services:						
Pupil	306,290	-	-	-	2,544	308,834
Instructional staff	341,059	-	-	-	190,833	531,892
Board of education	45,929	-	-	-	-	45,929
Administration	319,996	-	-	-	388,193	708,189
Fiscal	248,890	7,760	-	-	18,592	275,242
Operations and maintenance	603,948	-	-	-	-	603,948
Pupil transportation	306,768	-	-	-	244	307,012
Central	17,196	-	-	-	7,500	24,696
Operation of non-instructional services:						
Food service operations	-	-	-	-	319,965	319,965
Other non-instructional services	-	-	-	-	50,635	50,635
Extracurricular activities	272,506	-	-	-	79,637	352,143
Facilities acquisition and construction	11,156	-	132,128	1,217,759	-	1,361,043
Debt service:						
Principal retirement	-	9,913,151	-	-	77,000	9,990,151
Interest and fiscal charges	92,182	242,269	-	-	60,102	394,553
Bond and lease issue costs	196,574	-	61,735	-	-	258,309
Total expenditures	<u>6,726,894</u>	<u>10,163,180</u>	<u>193,863</u>	<u>1,217,759</u>	<u>1,956,723</u>	<u>20,258,419</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(123,982)</u>	<u>(9,631,889)</u>	<u>(189,035)</u>	<u>2,228,522</u>	<u>(84,613)</u>	<u>(7,800,997)</u>
Other financing sources (uses):						
Premium on sale of notes	-	46,851	-	-	-	46,851
Sale of bonds	-	9,913,151	-	-	-	9,913,151
Sale of notes	-	-	-	9,913,151	-	9,913,151
Lease-purchase agreements	315,000	-	4,337,000	-	-	4,652,000
Sale of assets	4,428	-	-	-	-	4,428
Transfers in	-	-	-	-	38,536	38,536
Transfers (out)	-	-	-	-	(38,536)	(38,536)
Total other financing sources (uses)	<u>319,428</u>	<u>9,960,002</u>	<u>4,337,000</u>	<u>9,913,151</u>	<u>-</u>	<u>24,529,581</u>
Net change in fund balances	195,446	328,113	4,147,965	12,141,673	(84,613)	16,728,584
Fund balances at beginning of year	2,242,108	-	-	-	342,803	2,584,911
Fund balances at end of year	<u>\$ 2,437,554</u>	<u>\$ 328,113</u>	<u>\$ 4,147,965</u>	<u>\$ 12,141,673</u>	<u>\$ 258,190</u>	<u>\$ 19,313,495</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds \$ 16,728,584

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.

Capital asset additions	\$	1,366,901	
Current year depreciation		(157,649)	
Total		1,209,252	1,209,252

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (4,030)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes		15,626	
Interest		2,154	
Intergovernmental		11,434,107	
Total		11,451,887	11,451,887

Bond and lease issue costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the debt in the statement of activities. 258,309

Repayment of lease and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 9,990,151

Proceeds of notes, bonds and lease purchase agreements are recorded as revenue in the funds, however on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets. (24,478,302)

Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. More interest is reported in the statement of activities due to the following:

Increase in accrued interest payable		(30,209)	
Amortization of debt issue costs		(9,222)	
Total		(39,431)	(39,431)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 8,365

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 172,158

Change in net assets of governmental activities \$ 15,296,943

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Revenues:				
From local sources:				
Taxes	\$ 1,960,082	\$ 2,082,869	\$ 2,085,127	\$ 2,258
Tuition	187,250	206,070	206,293	223
Earnings on investments	31,324	32,618	32,653	35
Classroom materials and fees	-	369	369	-
Other local revenues	23,875	26,196	26,224	28
Intergovernmental - state	4,480,797	4,286,251	4,290,899	4,648
Total revenue	<u>6,683,327</u>	<u>6,634,372</u>	<u>6,641,565</u>	<u>7,193</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,020,778	3,088,581	3,088,435	146
Special	473,538	556,256	556,230	26
Vocational	30,192	16,650	16,649	1
Other	461,717	432,381	432,361	20
Support services:				
Pupil	339,374	328,145	328,129	16
Instructional staff	262,129	317,700	317,685	15
Board of education	38,642	39,126	39,124	2
Administration	664,099	339,879	339,863	16
Fiscal	231,061	452,264	452,243	21
Operations and maintenance	657,957	605,390	605,361	29
Pupil transportation	268,434	296,806	296,792	14
Central	22,640	17,197	17,196	1
Extracurricular activities	242,290	267,713	267,700	13
Facilities acquisition and construction	24,269	12,324	12,323	1
Debt service:				
Interest and fiscal charges	-	93,415	93,411	4
Total expenditures	<u>6,737,120</u>	<u>6,863,827</u>	<u>6,863,502</u>	<u>325</u>
Excess of expenditures over revenues	<u>(53,792)</u>	<u>(229,455)</u>	<u>(221,937)</u>	<u>7,518</u>
Other financing sources (uses):				
Refund of prior year expenditures	-	41,405	41,405	-
Refund of prior year receipts	(7,889)	(7,889)	(7,889)	-
Advances in	-	19,052	19,052	-
Lease-purchase agreement proceeds	283,509	283,516	283,823	307
Sale of assets	4,428	4,428	4,428	-
Total other financing sources (uses)	<u>280,048</u>	<u>340,512</u>	<u>340,819</u>	<u>307</u>
Net change in fund balance	226,256	111,057	118,882	7,825
Fund balance at beginning of year	2,264,088	2,264,088	2,264,088	-
Prior year encumbrances appropriated	24,376	24,376	24,376	-
Fund balance at end of year	\$ 2,514,720	\$ 2,399,521	\$ 2,407,346	\$ 7,825

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2010

	Governmental Activities - Internal Service Fund
Assets:	
Cash with fiscal agent	\$ 135,671
Total assets.	135,671
Liabilities:	
Claims payable	88,235
Total liabilities	88,235
Net assets:	
Unrestricted.	47,436
Total net assets	\$ 47,436

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services.	\$ 981,320
Total operating revenues.	<u>981,320</u>
Operating expenses:	
Purchased services.	218,854
Claims	<u>591,387</u>
Total operating expenses.	<u>810,241</u>
Operating income	<u>171,079</u>
Nonoperating revenues:	
Interest revenue	<u>1,079</u>
Total nonoperating revenues	<u>1,079</u>
Change in net assets	172,158
Net assets (deficit) at beginning of year . .	<u>(124,722)</u>
Net assets at end of year	<u><u>\$ 47,436</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Governmental Activities - Internal Service Fund</u>
Cash flows from operating activities:	
Cash received from charges for services	\$ 981,320
Cash payments for purchased services.	(218,854)
Cash payments for claims	(574,649)
	187,817
Net cash provided by operating activities	
	187,817
Cash flows from noncapital financing activities:	
Cash paid to other funds.	(53,225)
	(53,225)
Net cash used in noncapital financing activities.	
	(53,225)
Cash flows from investing activities:	
Interest received	1,079
	1,079
Net cash provided by investing activities	
	1,079
Net increase in cash and cash equivalents	135,671
Cash and cash equivalents at beginning of year . . .	-
Cash and cash equivalents at end of year	\$ 135,671
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 171,079
Changes in assets and liabilities:	
Increase in claims payable	16,738
	16,738
Net cash provided by operating activities.	\$ 187,817

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2010

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 29,487
Total assets.	\$ 29,487
Liabilities:	
Accounts payable.	\$ 67
Due to students.	29,420
Total liabilities	\$ 29,487

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District ranks as the 549th largest by enrollment among the 905 public and community school districts in the State. The District operates under a locally-elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by State and/or federal agencies. This Board controls the District's 5 instructional/support facilities staffed by 39 classified and 67 certified full and part-time teaching personnel who provide services to 754 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

The following organizations are described due to their relationship to the District:

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, 1 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 \$120,787 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.

INSURANCE PURCHASING POOL

Ohio Mid-Eastern Regional Educational Services Agency

The 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.

RELATED ENTITY

Crestline Public Library (the "Library")

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

B. Fund Accounting

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

GOVERNMENTAL FUNDS

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

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

Bond retirement fund - This fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest.

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 expended in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; (b) grants and other resources whose use is restricted to a particular purpose; and (c) food service operations.

PROPRIETARY FUND

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

Internal service fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical, prescription and dental benefits to employees.

FIDUCIARY FUNDS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

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

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

The agency fund does not report a measurement focus as it does not report operations.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from income taxes is recognized in the fiscal year in which the underlying exchange transaction occurred (see Note 8).

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2010 are recorded as deferred revenue in the governmental fund financial statements.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

E. Budgets

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

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with Crawford County Budget Commission for rate determination. The Crawford County Budget Commission waived the tax budget filing requirement for the fiscal year 2010.

Estimated Resources:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Appropriations:

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

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

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

F. Cash and Investments

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

During fiscal year 2010, investments were limited to federal agency securities, U.S Government money market, non-negotiable certificates of deposit and a repurchase agreement. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$33,000 which includes \$5,775 assigned from other funds.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

G. Inventory

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

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

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

H. Capital Assets

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

I. Interfund Balances

On fund financial statements, receivables and payables to cover deficit cash balances are classified as “due to/from other funds”. These amounts are eliminated in the governmental activities column on the statement of net assets.

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2010, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and all employees with at least 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2010, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

L. Fund Balance Reserves

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes includes amounts restricted for food service, special trust, endowment, uniform school supplies, public school support, daycare and amounts restricted by State statute for BWC refunds and school bus purchases.

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

N. Prepayments

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

O. Estimates

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

P. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by State statute. See Note 18 for details.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Q. Interfund Activity

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

R. Unamortized Debt Issuance Costs

On government-wide financial statements, issuance costs are deferred and amortized over the term of the debt using the straight-line method. Unamortized bond and lease-purchase issuance costs are recorded as a separate line item on the statement of net assets.

On the governmental fund financial statements, bond and lease-purchase issuance costs are recognized in the current period.

S. Parochial Schools

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2010.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Public school preschool	\$ 4,610
Title VI-B	97,377
Fiscal stabilization	21,519
Title II-D	1,020
Title I school improvement	17,052
Title I disadvantaged children	23,259
Preschool	3,418
Improving teacher quality	309
Miscellaneous federal grants	14,043

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Cash on Hand

At fiscal year end, the District had \$50 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Cash with Fiscal Agent

At June 30, 2010, the District had a \$135,671 cash balance with Ohio Mid-Eastern Regional Education Service Agency. This amount is reported on the financial statements as "cash with fiscal agent".

C. Cash with Escrow Agent

At fiscal year end, \$4,173,127 was on deposit in escrow accounts with US Bank related to the lease purchase obligations entered into by the District (See Note 11). The amount on deposit with the escrow agent has been excluded from the total amount of deposits reported below as it is not part of the District's internal investment pool. The June 30, 2010 balance of the escrow accounts is reported on the financial statements as "cash with escrow agent".

D. Deposits with Financial Institutions

At June 30, 2010, the carrying amount of all District deposits was \$5,164,351 exclusive of the \$170,000 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$3,695,683 of the District's bank balance of \$5,205,968 was exposed to custodial risk as discussed below, while \$1,510,285 was covered by the FDIC.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

E. Investments

As of June 30, 2010, the District had the following investments and maturities:

Investment type	Fair Value	Investment Maturities			
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months
Repurchase agreement	\$ 170,000	\$ 170,000	\$ -	\$ -	\$ -
FHLB	5,426,233	2,316,233	2,110,000	750,000	250,000
FFCC	509,722	-	-	509,722	-
FHLMC discount notes	1,000,000	1,000,000	-	-	-
FNMA discount notes	1,999,600	1,999,600	-	-	-
FHLB discount notes	999,800	999,800	-	-	-
U.S. Government money market	11,714	11,714	-	-	-
Total	\$10,117,069	\$ 6,497,347	\$ 2,110,000	\$ 1,259,722	\$ 250,000

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

Credit Risk: The District's investment in the federal agency securities and the federal agency securities that underlie the repurchase agreement were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District's \$170,000 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
Repurchase agreement	\$ 170,000	1.68
FHLB	5,426,233	53.64
FFCC	509,722	5.04
FHLM discount notes	1,000,000	9.88
FNMA discount notes	1,999,600	19.76
FHLB discount notes	999,800	9.88
U.S. Government money market	<u>11,714</u>	<u>0.12</u>
Total	<u>\$ 10,117,069</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 5,164,351
Investments	10,117,069
Cash with fiscal agent	135,671
Cash with escrow agent	4,173,127
Cash on hand	<u>50</u>
Total	<u>\$19,590,268</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$19,560,781
Agency fund	<u>29,487</u>
Total	<u>\$19,590,268</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances consisted of the following due to/from other funds at June 30, 2010, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 27,200</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

The purpose of the due to/from other funds is to cover negative cash balances at fiscal year-end. The general fund is liable for covering a cash deficit. Due to/from other funds between funds are eliminated on the government-wide financial statements. All amounts are to be repaid within one year.

- B.** Interfund transfers for the fiscal year ended June 30, 2010, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:

Nonmajor governmental funds	<u>\$ 38,536</u>
-----------------------------	------------------

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. During fiscal year 2010, the District transferred \$38,536 from the permanent improvement fund to the classroom facilities maintenance special revenue fund in accordance with the Ohio School Facilities Commission construction project agreement.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Crawford and Richland Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$712,627 in the general fund, \$40,045 in the permanent improvement fund (a nonmajor governmental fund) and \$188,207 in the bond retirement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2009 was \$768,464 in the general fund and \$42,287 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 54,787,770	73.92	\$ 53,947,330	76.36
Commercial/industrial real estate	12,521,170	16.89	12,934,470	18.31
Public utility personal	3,763,780	5.08	3,645,540	5.16
Tangible personal property	<u>3,047,160</u>	<u>4.11</u>	<u>119,190</u>	<u>0.17</u>
Total	<u>\$ 74,119,880</u>	<u>100.00</u>	<u>\$ 70,646,530</u>	<u>100.00</u>

Tax rate per \$1,000 of
assessed valuation for:

Operations	\$60.81	60.65
Debt service	-	8.90
Permanent improvements	3.00	3.00

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 7 - RECEIVABLES

Receivables at June 30, 2010 consisted of property and income taxes, accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the items of receivables reported on the statement of net assets follows:

Governmental activities:

Property taxes	\$ 2,966,644
Income taxes	23,981
Accrued interest	2,770
Intergovernmental	<u>11,588,461</u>
Total	<u>\$ 14,581,856</u>

Receivables have been disaggregated on the face of the basic financial statements. Except for \$11,461,051 due from the Ohio School Facilities Commission, included in intergovernmental receivables, all receivables are expected to be collected within one year.

NOTE 8 - INCOME TAX

On May 5, 2009, the District's voters approved a 0.25 percent earned income tax on individuals residing within the 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 District after withholding amounts for administrative fees and estimated refunds. The District income tax is credited to the general fund and is used for current operating expenses.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 138,210	\$ -	\$ -	\$ 138,210
Construction in progress	-	1,349,887	-	1,349,887
Total capital assets, not being depreciated	<u>138,210</u>	<u>1,349,887</u>	<u>-</u>	<u>1,488,097</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	980,907	-	(15,946)	964,961
Buildings and improvements	3,685,349	-	-	3,685,349
Furniture and equipment	1,480,260	17,014	(337,403)	1,159,871
Vehicles	<u>426,258</u>	<u>-</u>	<u>-</u>	<u>426,258</u>
Total capital assets, being depreciated	<u>6,572,774</u>	<u>17,014</u>	<u>(353,349)</u>	<u>6,236,439</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(647,832)	(28,937)	15,946	(660,823)
Buildings and improvements	(2,877,922)	(65,468)	-	(2,943,390)
Furniture and equipment	(1,301,979)	(32,912)	333,373	(1,001,518)
Vehicles	<u>(233,639)</u>	<u>(30,332)</u>	<u>-</u>	<u>(263,971)</u>
Total accumulated depreciation	<u>(5,061,372)</u>	<u>(157,649)</u>	<u>349,319</u>	<u>(4,869,702)</u>
Total capital assets, being depreciated, net	<u>1,511,402</u>	<u>(140,635)</u>	<u>(4,030)</u>	<u>1,366,737</u>
Governmental activities capital assets, net	<u>\$ 1,649,612</u>	<u>\$ 1,209,252</u>	<u>\$ (4,030)</u>	<u>\$ 2,854,834</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 66,388
<u>Support services:</u>	
Instructional	507
Board of education	227
Administration	7,976
Fiscal	1,816
Operations and maintenance	33,511
Pupil transportation	8,748
Extracurricular activities	36,926
Food service operations	<u>1,550</u>
Total depreciation expense	<u>\$ 157,649</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 10 - COMPENSATED ABSENCES

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

NOTE 11 - LEASE-PURCHASE AGREEMENTS

A. On August 13, 2009, the District entered into a \$4,337,000 lease-purchase agreement with the Columbus Regional Airport Authority to finance a portion of the District's school facilities construction project. This lease meets the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. The lease agreement required the District to establish an escrow account with US Bank. The District draws down funds from the account as construction bills come due. Capital assets acquired by the lease have been capitalized in the amount of \$193,863 in construction in progress at June 30, 2010. Lease-purchase proceeds of \$4,143,137 have not been spent as of June 30, 2010.

Fiscal year 2010 principal and interest payments on the lease-purchase agreement of \$77,000 and \$150,974, respectively, were paid from the general fund and permanent improvement fund (a nonmajor governmental fund). Future payments will be made entirely from the permanent improvement 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, 2010:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2011	\$ 284,984
2012	284,614
2013	284,069
2014	284,349
2015	283,411
2016-2020	1,416,686
2021-2025	1,410,409
2026-2030	1,404,025
2031-2035	<u>1,396,868</u>
Total minimum lease payments	7,049,415
Less: amount representing interest	<u>(2,789,415)</u>
Total	<u>\$ 4,260,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 11 - LEASE-PURCHASE AGREEMENTS - (Continued)

- B.** On March 31, 2010, the 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 District's bond issue (see Note 12.A. for detail). The agreement required the District to establish an escrow account with US Bank. The District draws down funds from these accounts as needed in order to cover expenses incurred. The District received \$283,823 from the lease-purchase agreement in the general fund during fiscal year 2010.

There were no principal and interest payments required on the lease-purchase agreement for fiscal year 2010. Future payments will be 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, 2010:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2011	\$ 12,898
2012	11,040
2013	11,010
2014	31,025
2015	30,325
2016-2020	150,960
2021-2025	154,943
2026	<u>31,050</u>
Total minimum lease payments	433,251
Less: amount representing interest	<u>(118,251)</u>
Total	<u>\$ 315,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 12 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2010, the following changes occurred in governmental activities long-term obligations:

	<u>Balance</u> <u>06/30/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/10</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Governmental activities:					
<i>General obligation bonds:</i>					
School facilities construction and improvement bonds, series 2009	\$ -	\$ 9,913,151	\$ -	\$ 9,913,151	\$ -
Bond anticipation note	-	9,913,151	(9,913,151)	-	-
<i>Other long-term obligations:</i>					
Lease purchase obligations	-	4,652,000	(77,000)	4,575,000	100,000
Compensated absences	<u>528,180</u>	<u>82,680</u>	<u>(139,958)</u>	<u>470,902</u>	<u>57,172</u>
Total long-term obligations, governmental activities	<u>\$ 528,180</u>	<u>\$ 24,560,982</u>	<u>\$ (10,130,109)</u>	<u>\$ 14,959,053</u>	<u>\$ 157,172</u>

School facilities construction and improvement bonds: On November 24, 2009, the 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 District, for which its full faith and credit is pledged for repayment.

Principal and interest payment are made from the bond retirement fund. The source of payment is an 8.9 mill property tax levy passed in May of 2009. The bonds bear an interest rate of 1.63% and have a final maturity date of September 15, 2026. Interest payments on the bonds are due on June 1 and December 1 of each year. The entire principal amount is due at the final maturity date.

At June 30, 2010, no proceeds from this bond issue have been spent.

Bond anticipation note payable: On August 11, 2009, the District issued \$9,913,151 in Classroom Facilities General Obligation Bond Anticipation Notes in anticipation of the issuance of bonds for the purpose of constructing, renovating and improving facilities. The notes bear an interest rate of 2.50% and matured March 31, 2010. The notes were retired using the proceeds from the November 24, 2009 bond issuance. The bond anticipation notes were classified as long-term obligations because they have been replaced with long-term bonds before the financial statements have been issued.

Lease-purchase obligations: The lease-purchase obligations will be paid from the general fund and the permanent improvement fund (a nonmajor governmental fund). See Note 11 for more detail.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

B. Principal and interest requirements to retire the bonds outstanding at June 30, 2010, are as follows:

Fiscal Year	General Obligation Bonds		
	Principal	Interest	Total
2011	\$ -	\$ 80,792	\$ 80,792
2012	-	161,584	161,584
2013	-	161,584	161,584
2014	-	161,584	161,584
2015	-	161,584	161,584
2016 - 2020	-	807,920	807,920
2021 - 2025	-	807,920	807,920
2026 - 2027	9,913,151	289,056	10,202,207
Total	\$ 9,913,151	\$ 2,632,024	\$ 12,545,175

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2010, are a voted debt margin of \$(3,237,945), including available funds of \$328,113, and an unvoted debt margin of \$70,523. The District has been authorized to exceed its overall limitation because it has been designated as a "special needs" school district.

NOTE 13 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2010, the 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 13 - RISK MANAGEMENT - (Continued)

Settled claims have not exceeded this commercial coverage in any of the past three years. There was a significant reduction in coverage from the prior year due to the demolition of the former Crestline Middle School located on Columbus Street in Crestline.

B. Employee Dishonesty Bonds

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

C. Life Insurance

The 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	58,000
High School Principal	74,000
Middle School Principal	66,000
Elementary Principal	66,000

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.

D. Employee Group Medical and Dental Insurance

The District offers medical, prescription, and dental insurance to employees through a self-insurance program. The District has established a self-insurance internal service fund to account for this activity. The 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 District's behalf. The Jefferson County Educational Service Center is fiscal agent for the OME-RESA self-insurance plan.

The claims liability of \$88,235 reported in the internal service fund at June 30, 2010 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2010	\$ 71,497	\$ 591,387	\$ (574,649)	\$ 88,235
2009	111,303	700,489	(740,295)	71,497

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 13 - RISK MANAGEMENT - (Continued)

E. Workers' Compensation

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

NOTE 14 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.74 percent and .04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$134,240, \$94,948 and \$93,309, respectively; 43.98 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 14 - PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$431,476, \$429,624 and \$417,739, respectively; 84.21 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$17,689 made by the District and \$12,635 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. 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 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. 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. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The 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 District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$25,519, \$63,597 and \$61,911, respectively; 43.98 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$7,983, \$7,834 and \$6,723, respectively; 43.98 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$33,190, \$33,048 and \$32,134, respectively; 84.21 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenues, expenditures, and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing sources are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Investments are reported at fair value (GAAP basis) rather than cost basis (budget basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 118,882
Net adjustment for revenue accruals	(38,653)
Net adjustment for expenditure accruals	129,256
Net adjustment for other sources/uses	(21,391)
Adjustment for encumbrances	<u>7,352</u>
GAAP basis	<u>\$ 195,446</u>

NOTE 17 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 18 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2010, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Reserve</u>
Set-aside balance as of June 30, 2009	\$ -	\$ -	\$ 35,920
Current year set-aside requirement	111,795	111,795	-
Qualifying expenditures	(101,167)	-	-
Excess qualified expenditures from prior years	(609,384)	(199,403)	-
Current year offsets	<u>-</u>	<u>(9,913,151)</u>	<u>-</u>
Total	<u>\$ (598,756)</u>	<u>\$ (10,000,759)</u>	<u>\$ 35,920</u>
Balance carried forward to fiscal year 2011	<u>\$ (598,756)</u>	<u>\$ -</u>	<u>\$ 35,920</u>
Set-aside reserve balance as of June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,920</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 18 - STATUTORY RESERVES - (Continued)

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

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

A schedule of the restricted assets at June 30, 2010 follows:

Amounts restricted for budget reserve (BWC)	\$ 35,920
Amounts restricted for school bus purchases	<u>14,291</u>
Total restricted assets	<u>\$ 50,211</u>

NOTE 19 - CONTRACTUAL COMMITMENTS

As of June 30, 2010, the District had contractual commitments for the following:

	<u>Contract Amount</u>	<u>Expended</u>	<u>Balance 6/30/10</u>
Middle School Demolition	\$ 722,000	\$ 393,678	\$ 328,322

Crestline Exempted Village School District

* * * *

Audit Report Letters

June 30, 2010

CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT

TABLE OF CONTENTS

	PAGE
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance With Government Auditing Standards.....	1
Independent Auditor’s Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	3
Schedule of Expenditures of Federal Awards	5
Notes to Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs	7



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

January 24, 2011

To the Board of Education
Crestline Exempted Village School District
511 S. Thoman St.
Crestline, OH 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 accompanying financial statements of the governmental activities, its major funds and the aggregate remaining fund information of the Crestline Exempted Village School District (the "District") as of and for the year ended June 30, 2010, and have issued our report thereon dated January 24, 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

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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, when performing their assigned functions, to prevent, or detect and timely correct misstatements. 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 the 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.

Compliance and Other Matters

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

We did note certain matters that we reported to the management of the District in a separate letter dated January 24, 2011.

This report is intended solely for the information and use of the Board of Education, management, and 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.

Rea & Associates, Inc.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

January 24, 2011

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

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

Compliance

We have audited the compliance of the Crestline Exempted Village School District (the "District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The 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 its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 Circulars 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 District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

A deficiency in an entity's 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the District as of and for the year ended June 30, 2010, and have issued our report thereon dated January 24, 2011. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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.

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

Rea & Associates, Inc.

CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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	2009	\$ 9,086	\$ 33,523
Title I	84.010	2010	150,638	187,279
Title I- ARRA	84.389	2010	77,534	73,605
Title I- School Improvement Sub A	84.010	2010	<u>30,331</u>	<u>32,400</u>
Total Title I Cluster			267,589	326,807
<i>Special Education Cluster:</i>				
Special Education_Grants to States	84.027	2009	0	3,589
Special Education_Grants to States	84.027	2010	161,347	157,246
Special Education_Grants to States- ARRA	84.391	2010	<u>174,934</u>	<u>167,562</u>
Total Special Education_Grants to States			336,281	328,397
Special Education_Preschool Grants	84.173	2009	0	70
Special Education_Preschool Grants	84.173	2010	4,476	4,476
Special Education_Preschool Grants- ARRA	84.392	2010	<u>4,898</u>	<u>4,829</u>
Total Special Education_Preschool Grants			9,374	9,375
<i>Total Special Education Cluster</i>			<u>345,655</u>	<u>337,772</u>
Safe and Drug-Free Schools and Communities	84.186	2009	0	2,815
Safe and Drug-Free Schools and Communities	84.186	2010	<u>323</u>	<u>0</u>
Total Safe and Drug-Free Schools and Communities			323	2,815
Twenty-First Century Community Learning Centers	84.287	2009	36,326	59,641
Twenty-First Century Community Learning Centers	84.287	2010	<u>139,496</u>	<u>131,806</u>
Total Twenty-First Century Community Learning Centers			175,822	191,447
Title V	84.298	2009	<u>0</u>	<u>625</u>
Total Title V			0	625
Title II-D	84.318	2009	5	681
Title II-D	84.318	2010	<u>1,822</u>	<u>1,887</u>
Total Title II-D			1,827	2,568
Title II-A	84.367	2010	<u>44,511</u>	<u>45,956</u>
Total Title II-A			44,511	45,956
State Fiscal Stabilization Fund - ARRA	84.394	2010	<u>229,534</u>	<u>229,534</u>
Total State Fiscal Stabilization Fund			229,534	229,534
Total U.S. Department of Education			<u>1,065,261</u>	<u>1,137,524</u>
U. S. Department of Agriculture				
(Passed Through Ohio Department of Education):				
<i>Child Nutrition Cluster:</i>				
School Breakfast Program	10.553	2010	<u>47,136</u>	<u>47,136</u>
Total School Breakfast Program			47,136	47,136
<i>Non-Cash Assistance:</i>				
National School Lunch Program	10.555	2010	13,337	13,337
<i>Cash Assistance:</i>				
National School Lunch Program	10.555	2010	<u>174,560</u>	<u>174,560</u>
Total National School Lunch Program			<u>187,897</u>	<u>187,897</u>
Total Child Nutrition Cluster			235,033	235,033
Child and Adult Care Food Program	10.558	2009	510	510
Child and Adult Care Food Program	10.558	2010	<u>2,865</u>	<u>2,865</u>
Total Child and Adult Care Food Program			3,375	3,375
Cafeteria Equipment Assistance- ARRA	10.579	2010	<u>19,222</u>	<u>19,222</u>
Total Cafeteria Equipment Assistance			19,222	19,222
Total U.S. Department of Agriculture			<u>257,630</u>	<u>257,630</u>
Total Federal Assistance			<u>\$ 1,322,891</u>	<u>\$ 1,395,154</u>

Crestline Exempted Village School District
Notes to the Schedule of Expenditures of Federal Awards – Cash Basis
For the Fiscal Year Ended June 30, 2010

Note A - Child Nutrition Cluster

Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

Note B – Food Donation 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 - Transfers

The 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 District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. During fiscal year 2010, the ODE authorized the following transfers:

<u>CFDA</u>	<u>Program</u>	<u>Year</u>	<u>Transfers Out</u>	<u>Transfers In</u>
<u>Number</u>	<u>Program Title</u>			
84.010	Title I- Improving Academic Achievement	2009	\$ 9,086	
84.010	Title I- Improving Academic Achievement	2010		\$ 9,086
84.318	Title II-D – Enhancing Education through Technology	2009	\$ 5	
84.318	Title II-D - Enhancing Education through Technology	2010		\$ 5

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 , Section .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any significant deficiencies or material weaknesses reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	Special Education Cluster CFDA #: 84.027, 84.173, 84.391, 84.392 Title I Cluster CFDA #: 84.010 & 84.389
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None were noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted

This Page is Intentionally Left Blank.



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 24, 2011**