

**CRESTLINE EXEMPTED VILLAGE  
SCHOOL DISTRICT**

**CRAWFORD COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS**

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2006***

**JULIE SMITH, TREASURER**





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Crestline Exempted Village School District, Crawford County, prepared by Julian & Grube, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 1, 2007

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**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT**  
**CRAWFORD COUNTY, OHIO**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Crestline Exempted Village School District, (the "District") Crawford County, Ohio, as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Crestline Exempted Village School District's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Crestline Exempted Village School District, Crawford County, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 11, 2006, on our consideration of the Crestline Exempted Village School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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



Julian & Grube, Inc.  
December 11, 2006

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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, 2006. 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 2006 are as follows:

- In total, net assets of governmental activities increased \$797,677 which represents a 41.89% increase from 2005.
- General revenues accounted for \$6,452,120 in revenue or 77.11% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,915,253 or 22.89% of total revenues of \$8,367,373.
- The District had \$7,569,696 in expenses related to governmental activities; \$1,915,253 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,452,120 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and permanent improvement fund. The general fund had \$6,491,922 in revenues and other financing sources and \$5,955,939 in expenditures and other financing uses. During fiscal year 2006, the general fund's fund balance increased \$535,983 from \$1,027,161 to \$1,563,144.
- The District's permanent improvement fund had \$176,524 in revenues and \$164,590 in expenditures. During fiscal year 2006, the permanent improvement fund's fund balance increased \$11,934 from \$445,011 to \$456,945.

**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 and permanent improvement fund are by far the most significant funds, and the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**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 2006?" 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 funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. 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 funds. The District's only major governmental funds are the general fund and permanent improvement fund.

*Governmental Funds*

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

*Reporting the District's Fiduciary Responsibilities*

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-47 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 2006 and 2005.

	<b>Net Assets</b>	
	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 5,510,155	\$ 5,104,699
Capital assets	<u>577,218</u>	<u>552,618</u>
Total assets	<u>6,087,373</u>	<u>5,657,317</u>
<b><u>Liabilities</u></b>		
Current liabilities	2,999,665	3,311,922
Long-term liabilities	<u>385,748</u>	<u>441,112</u>
Total liabilities	<u>3,385,413</u>	<u>3,753,034</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	577,218	504,818
Restricted	760,279	693,249
Unrestricted	<u>1,364,463</u>	<u>706,216</u>
Total net assets	<u>\$ 2,701,960</u>	<u>\$ 1,904,283</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$2,701,960. Of this total, \$1,364,463 is unrestricted in use.

At year-end, capital assets represented 9.48% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2006, were \$577,218. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

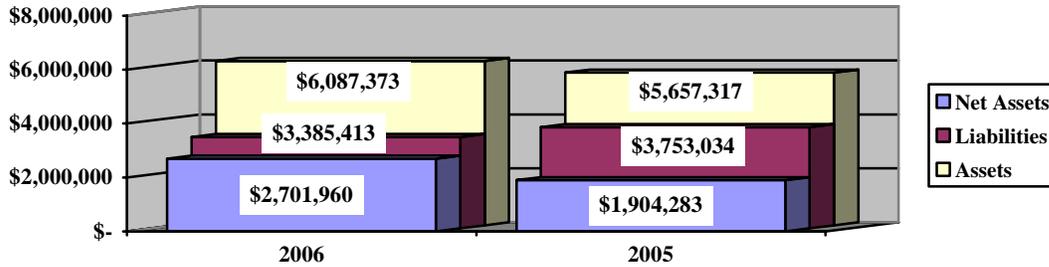
A portion of the District's net assets, \$760,279, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,364,463 may be used to meet the District's ongoing obligations to the students and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The table below provides a summary of the District's net assets for 2006 and 2005:

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2006 and 2005.

**Change in Net Assets**

	Governmental Activities 2006	Governmental Activities 2005
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 471,196	\$ 532,891
Operating grants and contributions	1,435,225	948,146
Capital grants and contributions	8,832	12,000
General revenues:		
Property taxes	2,998,075	3,346,760
Grants and entitlements	3,332,092	3,310,866
Investment earnings	91,640	26,488
Other	30,313	27,876
Total revenues	<u>8,367,373</u>	<u>8,205,027</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**Change in Net Assets**

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 2,866,793	\$ 2,704,232
Special	857,603	811,754
Vocational	4,460	-
Other	404,988	297,554
Support services:		
Pupil	400,781	342,993
Instructional staff	332,285	233,785
Board of education	32,721	103,787
Administration	801,560	692,417
Fiscal	251,905	287,457
Business	-	547,827
Operations and maintenance	712,118	279,993
Pupil transportation	240,090	25,399
Central	37,266	166
Operations of non-instructional services	64,878	94,729
Food service operations	258,867	292,197
Extracurricular activities	302,589	267,562
Interest and fiscal charges	<u>792</u>	<u>2,215</u>
Total expenses	<u>7,569,696</u>	<u>6,984,067</u>
Change in net assets	797,677	1,220,960
Net assets at beginning of year	<u>1,904,283</u>	<u>683,323</u>
Net assets at end of year	<u><u>\$ 2,701,960</u></u>	<u><u>\$ 1,904,283</u></u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$797,677. Total governmental expenses of \$7,569,696 were offset by program revenues of \$1,915,253 and general revenues of \$6,452,120. Program revenues supported 25.30% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 75.65% of total governmental revenue.

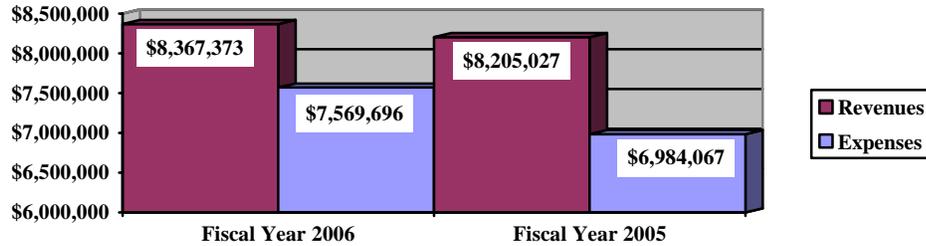
The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,133,844 or 54.61% of total governmental expenses for fiscal 2006.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2006 and 2005.

**Governmental Activities - Revenues and Expenses**



The Statement of Activities shows the cost of program services and the charges for services and grants 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 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
<b>Program expenses</b>				
Instruction:				
Regular	\$ 2,866,793	\$ 2,185,738	\$ 2,704,232	\$ 2,205,905
Special	857,603	469,585	811,754	489,746
Vocational	4,460	4,460	-	-
Other	404,988	404,988	297,554	297,554
Support services:				
Pupil	400,781	324,010	342,993	263,582
Instructional staff	332,285	174,219	233,785	158,006
Board of education	32,721	32,721	103,787	101,978
Administration	801,560	691,562	692,417	686,811
Fiscal	251,905	246,905	287,457	282,457
Business	-	-	547,827	547,827
Operations and maintenance	712,118	707,595	279,993	256,176
Pupil transportation	240,090	232,487	25,399	20,669
Central	37,266	883	166	166
Operations of non-instructional services	64,878	(24,331)	94,729	(48,473)
Food service operations	258,867	(14,572)	292,197	20,217
Extracurricular activities	302,589	217,401	267,562	206,194
Interest and fiscal charges	792	792	2,215	2,215
<b>Total expenses</b>	<u>\$ 7,569,696</u>	<u>\$ 5,654,443</u>	<u>\$ 6,984,067</u>	<u>\$ 5,491,030</u>

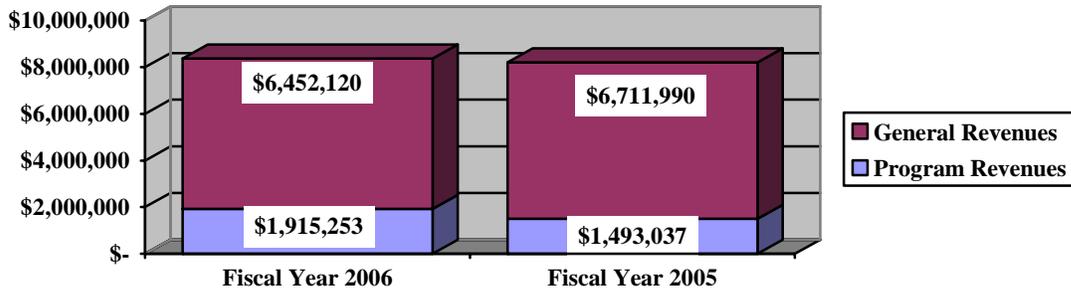
The dependence upon tax and other general revenues for governmental activities is apparent, 74.14% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 74.70%. The District's taxpayers, as a whole, are by far the primary support for District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The graph below presents the District's governmental activities revenue for fiscal year 2006 and 2005:

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$2,166,082, which is higher than last year's total of \$1,502,963. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	<u>Fund Balance June 30, 2006</u>	<u>Fund Balance June 30, 2005</u>	<u>Increase</u>	<u>Percentage Change</u>
General	\$ 1,563,144	\$ 1,027,161	\$ 535,983	52.18 %
Permanent Improvement	456,945	445,011	11,934	2.68 %
Other Governmental	<u>145,993</u>	<u>30,791</u>	<u>115,202</u>	(374.14) %
Total	<u>\$ 2,166,082</u>	<u>\$ 1,502,963</u>	<u>\$ 663,119</u>	44.12 %

**General Fund**

The District's general fund balance increased \$535,983. The increase in fund balance can be attributed to decreasing revenues still being more than increased expenditures. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>2006</u>	<u>2005</u>	<u>Increase</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>(Decrease)</u>	<u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 2,820,821	\$ 3,075,193	\$ (254,372)	(8.27) %
Tuition	219,623	223,417	(3,794)	(1.70) %
Earnings on investments	89,887	26,488	63,399	239.35 %
Intergovernmental	3,310,819	3,303,421	7,398	0.22 %
Other revenues	<u>41,397</u>	<u>32,618</u>	<u>8,779</u>	26.91 %
Total	<u>\$ 6,482,547</u>	<u>\$ 6,661,137</u>	<u>\$ (178,590)</u>	(2.68) %
<b><u>Expenditures</u></b>				
Instruction	\$ 3,284,929	\$ 3,069,620	\$ 215,309	7.01 %
Support services	2,361,990	2,221,588	140,402	6.32 %
Extracurricular activities	200,428	195,508	4,920	2.52 %
Debt service	<u>48,592</u>	<u>48,593</u>	<u>(1)</u>	(0.00) %
Total	<u>\$ 5,895,939</u>	<u>\$ 5,535,309</u>	<u>\$ 360,630</u>	6.52 %

***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 2006, the District amended the general fund budget. For the general fund, original budgeted revenues and other financing sources were \$6,641,163 and final budgeted revenues and other financing sources was \$6,633,135. Actual revenues and other financing sources for fiscal 2006 was \$6,633,660. This represents a \$525 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$6,619,150 were decreased to \$6,102,788 in the final appropriations. The actual budget basis expenditures for fiscal year 2006 totaled \$6,012,418, which was \$90,370 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2006, the District had \$577,218 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2006 balances compared to 2005:

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

	Governmental Activities	
	2006	2005
Land	\$ 138,210	\$ 138,210
Land improvements	80,877	85,923
Building and improvements	103,407	116,122
Furniture and equipment	154,234	165,989
Vehicles	100,490	46,374
Total	\$ 577,218	\$ 552,618

The overall increase in capital assets of \$24,600 is due to capital outlays of \$113,790 exceeding depreciation expense of \$89,063, and the disposal of \$45,448 in capital assets exceeding their associated accumulated depreciation of \$45,321 in the fiscal year.

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

*Debt Administration*

At June 30, 2006, the District had no obligations outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2006	2005
Capital lease obligations	\$ -	\$ 47,800
Total	\$ -	\$ 47,800

At June 30, 2006, the District's overall legal debt margin was \$7,138,737, and an unvoted debt margin of \$79,318.

See Note 11 to the basic financial statements for additional information on the District's debt administration.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**Current Financial Related Activities**

The District faces many financial challenges. The first challenge is that although the District had the resources necessary to meet operating expenses in fiscal year 2006, primarily due to an extensive Reduction in Force at fiscal year end 2004 and a change in the district insurance plan from a traditional plan to a PPO plan in fiscal year 2006, it will be critical that the district's \$759,000 emergency levy be renewed during fiscal year 2007 in order to provide financial stability over the next five years.

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

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

In light of these events, the district will experience a financial blow due to the passage of House Bill 66. The phase-out of tangible personal property tax will prove to be detrimental to district revenues beginning in 2010 as the phase-out will no longer be reimbursed at the full percentage of loss.

**Contacting the District's Financial Management**

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

**BASIC  
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS  
JUNE 30, 2006

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . .	\$ 2,387,447
Receivables:	
Taxes . . . . .	3,027,948
Accounts . . . . .	563
Intergovernmental . . . . .	68,756
Prepayments . . . . .	21,516
Materials and supplies inventory . . . . .	3,925
Capital assets:	
Land . . . . .	138,210
Depreciable capital assets, net . . . . .	439,008
Capital assets, net. . . . .	577,218
 Total assets. . . . .	 6,087,373
<b>Liabilities:</b>	
Accounts payable. . . . .	47,382
Accrued wages and benefits . . . . .	714,310
Pension obligation payable. . . . .	159,201
Intergovernmental payable . . . . .	51,915
Deferred revenue . . . . .	2,026,857
Long-term liabilities:	
Due within one year. . . . .	61,233
Due in more than one year . . . . .	324,515
Total liabilities . . . . .	3,385,413
<b>Net Assets:</b>	
Invested in capital assets . . . . .	577,218
Restricted for:	
Capital projects . . . . .	492,600
Debt service. . . . .	88
Locally funded programs . . . . .	3,938
State funded programs . . . . .	58,966
Federally funded programs . . . . .	33,323
Student activities . . . . .	89,531
Other purposes . . . . .	81,833
Unrestricted. . . . .	1,364,463
Total net assets . . . . .	\$ 2,701,960

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, 2006

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 2,866,793	\$ 245,362	\$ 435,693	\$ -	\$ (2,185,738)
Special . . . . .	857,603	-	388,018	-	(469,585)
Vocational . . . . .	4,460	-	-	-	(4,460)
Other . . . . .	404,988	-	-	-	(404,988)
Support services:					
Pupil . . . . .	400,781	11,553	65,218	-	(324,010)
Instructional staff . . . . .	332,285	7,905	141,329	8,832	(174,219)
Board of education . . . . .	32,721	-	-	-	(32,721)
Administration . . . . .	801,560	-	109,998	-	(691,562)
Fiscal . . . . .	251,905	-	5,000	-	(246,905)
Operations and maintenance . . . . .	712,118	1,470	3,053	-	(707,595)
Pupil transportation . . . . .	240,090	32	7,571	-	(232,487)
Central . . . . .	37,266	-	36,383	-	(883)
Operation of non-instructional . . . . .	64,878	24,228	64,981	-	24,331
Food service operations . . . . .	258,867	95,458	177,981	-	14,572
Extracurricular activities . . . . .	302,589	85,188	-	-	(217,401)
Interest and fiscal charges . . . . .	792	-	-	-	(792)
Total governmental activities . . . . .	<u>\$ 7,569,696</u>	<u>\$ 471,196</u>	<u>\$ 1,435,225</u>	<u>\$ 8,832</u>	<u>(5,654,443)</u>

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	2,840,913
Capital projects . . . . .	157,162
Grants and entitlements not restricted	
to specific programs . . . . .	3,332,092
Investment earnings . . . . .	91,640
Miscellaneous . . . . .	30,313
Total general revenues . . . . .	<u>6,452,120</u>
Change in net assets . . . . .	797,677
<b>Net assets at beginning of year . . . . .</b>	<u>1,904,283</u>
<b>Net assets at end of year . . . . .</b>	<u>\$ 2,701,960</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 1,512,588	\$ 417,735	\$ 406,136	\$ 2,336,459
Receivables:				
Taxes. . . . .	2,853,301	174,647	-	3,027,948
Accounts . . . . .	508	-	55	563
Intergovernmental . . . . .	-	-	68,756	68,756
Interfund receivable . . . . .	86,273	-	-	86,273
Prepayments . . . . .	21,516	-	-	21,516
Materials and supplies inventory . . . . .	-	-	3,925	3,925
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	50,988	-	-	50,988
Total assets . . . . .	<u>\$ 4,525,174</u>	<u>\$ 592,382</u>	<u>\$ 478,872</u>	<u>\$ 5,596,428</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 24,096	\$ -	\$ 23,286	\$ 47,382
Accrued wages and benefits . . . . .	564,663	-	149,647	714,310
Compensated absences payable . . . . .	44,686	-	-	44,686
Pension obligation payable. . . . .	123,485	-	35,716	159,201
Intergovernmental payable. . . . .	40,012	-	11,903	51,915
Interfund payable. . . . .	-	-	86,273	86,273
Deferred revenue. . . . .	2,165,088	135,437	26,054	2,326,579
Total liabilities . . . . .	<u>2,962,030</u>	<u>135,437</u>	<u>332,879</u>	<u>3,430,346</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	87,585	107,166	18,519	213,270
Reserved for materials and supplies inventory. . . . .	-	-	3,925	3,925
Reserved for prepayments . . . . .	21,516	-	-	21,516
Reserved for property tax unavailable for appropriation . . . . .	683,610	38,987	-	722,597
Reserved for BWC refunds. . . . .	35,920	-	-	35,920
Reserved for school bus purchase . . . . .	15,068	-	-	15,068
Reserved for debt service . . . . .	-	-	88	88
Unreserved, undesignated, reported in:				
General fund . . . . .	719,445	-	-	719,445
Special revenue funds. . . . .	-	-	102,600	102,600
Capital projects funds. . . . .	-	310,792	20,861	331,653
Total fund balances . . . . .	<u>1,563,144</u>	<u>456,945</u>	<u>145,993</u>	<u>2,166,082</u>
Total liabilities and fund balances . . . . .	<u>\$ 4,525,174</u>	<u>\$ 592,382</u>	<u>\$ 478,872</u>	<u>\$ 5,596,428</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2006

<b>Total governmental fund balances</b>		\$ 2,166,082
<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.		577,218
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 273,668	
Intergovernmental revenue	<u>26,054</u>	
Total		299,722
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		<u>(341,062)</u>
<b>Net assets of governmental activities</b>		<u><u>\$ 2,701,960</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,820,821	\$ 155,251	\$ -	\$ 2,976,072
Tuition. . . . .	219,623	-	17,469	237,092
Charges for services. . . . .	-	-	95,458	95,458
Earnings on investments. . . . .	89,887	-	1,753	91,640
Classroom materials and fees. . . . .	9,614	-	8,772	18,386
Extracurricular. . . . .	-	-	88,832	88,832
Other local revenues. . . . .	31,783	-	29,958	61,741
Intergovernmental - Intermediate. . . . .	-	-	4,332	4,332
Intergovernmental - State. . . . .	3,310,819	21,273	420,323	3,752,415
Intergovernmental - Federal . . . . .	-	-	1,012,018	1,012,018
Total revenue . . . . .	<u>6,482,547</u>	<u>176,524</u>	<u>1,678,915</u>	<u>8,337,986</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	2,386,205	25,760	441,604	2,853,569
Special. . . . .	518,359	-	338,651	857,010
Vocational. . . . .	4,108	-	-	4,108
Other. . . . .	376,257	-	28,731	404,988
Support services:				
Pupil. . . . .	328,173	-	72,113	400,286
Instructional staff . . . . .	184,512	-	153,876	338,388
Board of education . . . . .	32,721	-	-	32,721
Administration. . . . .	695,561	10,194	112,095	817,850
Fiscal . . . . .	242,714	3,491	8,018	254,223
Operations and maintenance. . . . .	599,312	125,145	951	725,408
Pupil transportation . . . . .	278,997	-	7,311	286,308
Central. . . . .	-	-	37,100	37,100
Food service operations . . . . .	-	-	261,751	261,751
Other non-instructional services. . . . .	-	-	64,400	64,400
Extracurricular activities. . . . .	200,428	-	87,737	288,165
Debt service:				
Principal retirement . . . . .	47,800	-	-	47,800
Interest and fiscal charges . . . . .	792	-	-	792
Total expenditures . . . . .	<u>5,895,939</u>	<u>164,590</u>	<u>1,614,338</u>	<u>7,674,867</u>
Excess of revenues over expenditures . . . . .	<u>586,608</u>	<u>11,934</u>	<u>64,577</u>	<u>663,119</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	9,375	-	60,000	69,375
Transfers (out). . . . .	<u>(60,000)</u>	<u>-</u>	<u>(9,375)</u>	<u>(69,375)</u>
Total other financing sources (uses) . . . . .	<u>(50,625)</u>	<u>-</u>	<u>50,625</u>	<u>-</u>
Net change in fund balances . . . . .	535,983	11,934	115,202	663,119
<b>Fund balances at beginning of year . . . . .</b>	<u>1,027,161</u>	<u>445,011</u>	<u>30,791</u>	<u>1,502,963</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 1,563,144</u>	<u>\$ 456,945</u>	<u>\$ 145,993</u>	<u>\$ 2,166,082</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, 2006

<b>Net change in fund balances - total governmental funds</b>	\$	663,119
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
<p>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.</p>		
Capital asset additions	\$ 113,790	
Current year depreciation	<u>(89,063)</u>	
Total		24,727
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.</p>		
		(127)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Taxes	22,003	
Intergovernmental	<u>7,384</u>	
Total		29,387
<p>Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.</p>		
		47,800
<p>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.</p>		
		<u>32,771</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u><u>797,677</u></u></b>

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, 2006

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,922,145	\$ 2,918,613	\$ 2,918,844	\$ 231
Tuition. . . . .	219,871	219,606	219,623	17
Earnings on investments. . . . .	89,989	89,880	89,887	7
Classroom materials and fees . . . . .	9,625	9,613	9,614	1
Other local revenues . . . . .	31,310	31,273	31,275	2
Intergovernmental - State . . . . .	3,314,564	3,310,557	3,310,819	262
Total revenue . . . . .	<u>6,587,504</u>	<u>6,579,542</u>	<u>6,580,062</u>	<u>520</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	2,672,567	2,464,080	2,427,592	36,488
Special. . . . .	591,838	545,668	537,588	8,080
Vocational. . . . .	4,523	4,170	4,108	62
Other. . . . .	414,226	381,912	376,257	5,655
Support services:				
Pupil. . . . .	352,152	324,681	319,873	4,808
Instructional staff . . . . .	204,544	188,588	185,795	2,793
Board of education . . . . .	41,288	38,067	37,503	564
Administration. . . . .	757,075	698,015	687,679	10,336
Fiscal . . . . .	272,766	251,487	247,763	3,724
Operations and maintenance. . . . .	662,148	610,493	601,453	9,040
Pupil transportation . . . . .	316,328	291,651	287,332	4,319
Extracurricular activities. . . . .	220,998	203,758	200,741	3,017
Total expenditures . . . . .	<u>6,510,453</u>	<u>6,002,570</u>	<u>5,913,684</u>	<u>88,886</u>
Excess of revenues over expenditures . . . . .	<u>77,051</u>	<u>576,972</u>	<u>666,378</u>	<u>89,406</u>
<b>Other financing sources (uses):</b>				
Transfers in. . . . .	9,501	9,489	9,490	1
Transfers (out) . . . . .	(66,182)	(61,020)	(60,115)	905
Advances in. . . . .	37,454	37,409	37,412	3
Advances (out) . . . . .	(42,515)	(39,198)	(38,618)	580
Sale of capital assets. . . . .	6,704	6,695	6,695	-
Total other financing sources (uses) . . . . .	<u>(55,038)</u>	<u>(46,625)</u>	<u>(45,136)</u>	<u>1,489</u>
Net change in fund balance . . . . .	22,013	530,347	621,242	90,895
<b>Fund balances at beginning of year . . . . .</b>	759,436	759,436	759,436	-
<b>Prior year encumbrances appropriated . . . . .</b>	90,370	90,370	90,370	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 871,819</u>	<u>\$ 1,380,153</u>	<u>\$ 1,471,048</u>	<u>\$ 90,895</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2006

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 6,000	\$ 23,834
Total assets. . . . .	6,000	\$ 23,834
<b>Liabilities:</b>		
Accounts payable. . . . .		\$ 130
Due to students . . . . .	-	23,704
Total liabilities . . . . .	-	\$ 23,834
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	6,000	
Total net assets . . . . .	\$ 6,000	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Deductions:</b>	
Scholarships awarded . . . . .	\$ 2,000
Change in net assets . . . . .	(2,000)
<b>Net assets at beginning of year. . . . .</b>	<b>8,000</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 6,000</b>

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, 2006**

**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 534<sup>th</sup> largest by enrollment among the 615 public 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 29 classified and 50 certificated full and part-time teaching personnel who provide services to 855 students and other community members.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, preschool 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 organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

*JOINTLY GOVERNED ORGANIZATIONS*

Heartland Council of Governments (the "COG")

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

*RELATED ENTITY*

Crestline Public Library (the "Library")

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

*Permanent Improvement Fund* - The permanent improvement capital projects fund is used to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705, Ohio Revised Code.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

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

**D. Basis of Accounting**

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

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

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

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

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

*Deferred Revenue* - Deferred revenue arises 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, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

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

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased tax rates). By no later than January 20, the Board-adopted budget is filed with Crawford County Budget Commission for rate determination. The Crawford County Budget Commission waived the tax budget filing requirement for the fiscal year 2006.

Estimated Resources:

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

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

Appropriations:

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

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

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

**F. Cash and Investments**

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

During fiscal year 2006, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2006. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2006.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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 2006 amounted to \$89,887 which includes \$34,994 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.

**G. Inventory**

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

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

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

**H. Capital Assets**

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

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

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

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

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

**I. Interfund Balances**

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

**J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2006, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and all employees with at least 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2006, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

**K. Accrued Liabilities and Long-Term Obligations**

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

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

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

**L. Fund Balance Reserves**

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

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist 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 adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources 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 17 for details.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

**Q. Interfund Activity**

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

**R. Parochial Schools**

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

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2006.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Changes in Accounting Principles**

For fiscal year 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 42, GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the District as previously reported at June 30, 2005.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Deficit Fund Balances**

Fund balances at June 30, 2006 included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Daycare	\$ 23,451
Public School Preschool	41,425
Disadvantaged Pupil Impact Aid	4,916
Title VI-B	32,273
Title I	16,328
Preschool	845
Improving Teacher Quality	9,262
Miscellaneous Federal Grants	25,045

All funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from and adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

Interim monies to 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;

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (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.

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

**A. Cash on Hand**

At year-end, the District had \$3,487 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

**B. Deposits with Financial Institutions**

At June 30, 2006, the carrying amount of all District deposits was \$124,843 exclusive of the \$925,000 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, 2006, \$53,329 of the District's bank balance of \$153,817 was exposed to custodial risk as discussed below, while \$100,488 was covered by Federal Deposit Insurance Corporation.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

**C. Investments**

As of June 30, 2006, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase Agreement	\$ 925,000	\$ 925,000
STAR Ohio	<u>1,363,951</u>	<u>1,363,951</u>
	<u>\$ 2,288,951</u>	<u>\$ 2,288,951</u>

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

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the District.

*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, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
Repurchase Agreement	\$ 925,000	40.41
STAR Ohio	<u>1,363,951</u>	<u>59.59</u>
	<u>\$ 2,288,951</u>	<u>100.00</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2006:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 124,843
Investments	2,288,951
Cash on hand	3,487
Total	\$ 2,417,281
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 2,387,447
Private-purpose trust funds	6,000
Agency funds	23,834
Total	\$ 2,417,281

**NOTE 5 - INTERFUND TRANSACTIONS**

A. Interfund balances at June 30, 2006 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 86,273

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2006 are reported on the statement of net assets.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

- B.** Interfund transfers for the year ended June 30, 2006, consisted of the following, as reported on the fund financial statements:

Transfers to	Transfers From		
	General	Nonmajor Governmental	Total
General	\$ -	\$ 9,375	\$ 9,375
Nonmajor Governmental	60,000	-	60,000
Total	\$ 60,000	\$ 9,375	\$ 69,375

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer from the Debt Service fund to the General fund was preceded by a Common Pleas Court Order in the amount of \$9,375.

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

All transfers made in fiscal year 2006 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**NOTE 6 - PROPERTY TAXES**

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

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

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 6 - PROPERTY TAXES - (Continued)**

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2006, on the value as of December 31, 2005. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

The District receives property taxes from Crawford and Richland Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date 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, 2006 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 deferred revenue.

The amount available as an advance at June 30, 2006 was \$683,610 in the general fund and \$38,987 in the permanent improvement fund. The amount available as an advance at June 30, 2005 was \$781,700 in the general fund and \$42,183 in the permanent improvement fund. This amount has been recorded as revenue.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 6 - PROPERTY TAXES - (Continued)**

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

	2005 Second Half Collections		2006 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and public utility real estate	\$ 47,423,790	59.79	\$ 47,423,790	59.79
Commercial/industrial real estate	11,773,070	14.84	11,773,070	14.84
Public utility personal	14,576,988	18.38	14,576,988	18.38
Tangible personal property	<u>5,544,470</u>	<u>6.99</u>	<u>5,544,470</u>	<u>6.99</u>
Total	<u>\$ 79,318,318</u>	<u>100.00</u>	<u>\$ 79,318,318</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
Operations	\$ 61.80		\$ 61.80	
Permanent improvements	3.00		3.00	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2006 consisted of taxes, accounts and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the items of receivables reported on the statement of net assets follows:

<b>Governmental Activities:</b>	
Taxes	\$ 3,027,948
Accounts	563
Intergovernmental	<u>68,756</u>
Total	<u>\$ 3,097,267</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 8 - CAPITAL ASSETS**

The balances of governmental activities building and improvements and furniture and equipment have been restated due to errors reported in the prior year. Buildings and improvements has been restated from \$2,842,540 to \$2,891,536 and furniture and equipment has been restated from \$905,612 to \$991,054 at June 30, 2005. Accumulated depreciation on buildings and improvements has been restated from \$2,726,418 to \$2,775,414 and accumulated depreciation on furniture and equipment has been restated from \$739,623 to \$825,065 at June 30, 2006. This restatement did not have an effect on net assets as of June 30, 2005. Capital asset activity for the year ended June 30, 2006 was as follows:

	Restated			
	Balance			Balance
	<u>07/01/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/06</u>
<b>Governmental Activities</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 138,210	\$ -	\$ -	\$ 138,210
Total capital assets, not being depreciated	<u>138,210</u>	<u>-</u>	<u>-</u>	<u>138,210</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	401,382	-	-	401,382
Buildings and improvements	2,891,536	-	-	2,891,536
Furniture and equipment	991,054	51,360	(29,501)	1,012,913
Vehicles	<u>263,552</u>	<u>62,430</u>	<u>(15,947)</u>	<u>310,035</u>
Total capital assets, being depreciated	<u>4,547,524</u>	<u>113,790</u>	<u>(45,448)</u>	<u>4,615,866</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(315,459)	(5,046)	-	(320,505)
Buildings and improvements	(2,775,414)	(12,715)	-	(2,788,129)
Furniture and equipment	(825,065)	(62,988)	29,374	(858,679)
Vehicles	<u>(217,178)</u>	<u>(8,314)</u>	<u>15,947</u>	<u>(209,545)</u>
Total accumulated depreciation	<u>(4,133,116)</u>	<u>(89,063)</u>	<u>45,321</u>	<u>(4,176,858)</u>
Governmental activities capital assets, net	<u>\$ 552,618</u>	<u>\$ 24,727</u>	<u>\$ (127)</u>	<u>\$ 577,218</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 57,456
Special	256
<u>Support Services:</u>	
Pupil	300
Instructional staff	266
Administration	554
Fiscal	622
Operations and maintenance	1,888
Pupil transportation	10,598
Central	166
Extracurricular activities	14,424
Non-instructional service	478
Food service operations	<u>2,055</u>
Total depreciation expense	<u>\$ 89,063</u>

**NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE**

In a prior fiscal year, the District entered into a capitalized lease for office equipment. This lease met the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$151,213. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2006 was \$136,092 leaving a current book value of \$15,121. Final principal payments made during the 2006 fiscal year totaled \$47,800 paid by the general fund.

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 11 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2006, the following changes occurred in governmental activities long-term obligations:

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Amounts</u>
	<u>06/30/05</u>			<u>06/30/06</u>	<u>Due in</u>
					<u>One Year</u>
<b>Governmental Activities:</b>					
Compensated absences	\$ 393,312	\$ 60,694	\$ (68,258)	\$ 385,748	\$ 61,233
Capital lease obligation payable	<u>47,800</u>	<u>-</u>	<u>(47,800)</u>	<u>-</u>	<u>-</u>
Total long-term obligations, governmental activities	<u>\$ 441,112</u>	<u>\$ 60,694</u>	<u>\$ (116,058)</u>	<u>\$ 385,748</u>	<u>\$ 61,233</u>

Compensated absences will be paid from the fund from which the employee is paid.

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2006 are a voted debt margin of \$7,138,737 and an unvoted debt margin of \$79,318.

**NOTE 12 - 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 2006, the District retained property insurance coverage, boiler and machinery coverage, and inland marine floaters in the blanket amount of \$25,983,441 with 100% coinsurance, replacement cost endorsement and a \$2,500 deductible. Vehicles are covered by Auto-Owners Insurance Company and hold a \$250 deductible for comprehensive and a \$500 deductible for collision. Automobile liability has a \$1,000,000 limit of liability for bodily injury per person, per occurrence, and property damage.

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

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

**B. Employee Dishonesty Bonds**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 12 - RISK MANAGEMENT - (Continued)**

**C. Employee Group Medical, Dental, and Life Insurance**

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

Superintendent	\$40,000
Treasurer	53,000
High School Principal	71,000
Middle School Principal	65,000
Elementary Principal	56,000

The District provides a comprehensive medical benefits package to the employees through fully insured program by Medical Mutual. This package provides a comprehensive medical plan with a \$300 single and \$600 family deductible. Included in this plan is a mail-in prescription drug plan with a \$10, \$15, and \$20 per prescription deductible for drugs. The plan is administered by Medco Health, Inc. located in Columbus, Ohio. The total monthly premium paid to the insurance provider for the medical and prescription drug plan is \$519.49 for single coverage and \$1,168.86 for family coverage, and is generally paid out of the same fund that pays the salary for the employee.

The District's amounts are capped by negotiated union contracts and cannot be increased except through negotiations. The non-certified employee monthly portion of the premium is \$30 for single coverage and \$40 for family coverage, which is withheld from their biweekly payroll. The certified employee monthly portion of the premium is \$41.56 for single coverage and \$93.51 for family coverage, which is withheld from their biweekly payroll.

The District provides dental coverage for its employees on a fully-insured basis through Medical Mutual. The total monthly premium is \$29.61 for single coverage and \$88.85 for family coverage. There is no employee share for dental coverage.

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

**D. Workers' Compensation**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 13 - PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2006, 2005, and 2004 were \$93,926, \$95,896, and \$104,937, respectively; 52.16% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$44,935 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

**State Teachers Retirement System**

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 13 - PENSION PLANS - (Continued)**

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

For the fiscal year ended June 30, 2006, 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 recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for fund pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$370,066, \$371,968 and \$450,308, respectively; 81.50% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$68,447 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2006 were \$20 made by the District and \$4,244 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/ STRS. As of June 30, 2006, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$28,467 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$254.780 million and STRS had 115,395 eligible benefit recipients.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$43,661 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178.221 million. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168 percent of next years projected net health care costs of \$158.776 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 58,123 participants currently receiving health care benefits.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 15 - 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	\$ 621,242
Net adjustment for revenue accruals	(97,515)
Net adjustment for expenditure accruals	(74,783)
Net adjustment for other sources/uses	(5,489)
Adjustment for encumbrances	<u>92,528</u>
GAAP basis	<u>\$ 535,983</u>

**NOTE 16 - 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 17 - 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, 2006, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Reserve</u>
Set-aside cash balance as of June 30, 2005	\$ (325,499)	\$ (129,341)	\$ 35,920
Current year set-aside requirement	109,655	109,655	-
Current year offsets	-	(179,717)	-
Qualifying disbursements	<u>(252,298)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ (468,142)</u>	<u>\$ (199,403)</u>	<u>\$ 35,920</u>
Cash balance carried forward to FY 2007	<u>\$ (468,142)</u>	<u>\$ (199,403)</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, 2006

**NOTE 17 - STATUTORY RESERVES - (Continued)**

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

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, 2006 follows:

Amounts restricted for budget reserve (BWC)	\$ 35,920
Amounts restricted for school bus purchases	<u>15,068</u>
Total restricted assets	<u><u>\$ 50,988</u></u>

## **SUPPLEMENTAL DATA**

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA #	Grant I.D. Number	(E) Cash Federal Receipts	Other Federal Receipts	(E) Cash Federal Expenditures	Other Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE DEPARTMENT OF EDUCATION:</b>						
<b>Nutrition Cluster:</b>						
(A),(C) Food Donation	10.550	N/A	\$ -	\$ 25,222	\$ -	\$ 25,222
(A),(D) National School Breakfast	10.553	045344-05-PU-2005	3,183	-	3,183	-
(A),(D) National School Breakfast	10.553	045344-05-PU-2006	23,186	-	23,186	-
(A),(D) National School Lunch	10.555	045344-LLP1-2006	1,879	-	1,879	-
(A),(D) National School Lunch	10.555	045344-LLP4-2005	15,396	-	15,396	-
(A),(D) National School Lunch	10.555	045344-LLP4-2006	101,405	-	101,405	-
<b>Total Nutrition Cluster</b>			<u>145,049</u>	<u>25,222</u>	<u>145,049</u>	<u>25,222</u>
(D) Child and Adult Care Food Program	10.558	045344-CCMO-2005	314	-	314	-
(D) Child and Adult Care Food Program	10.558	045344-CCMO-2006	2,285	-	2,285	-
<b>Total Child &amp; Adult Food Care</b>			<u>2,599</u>	<u>-</u>	<u>2,599</u>	<u>-</u>
<b>Total U.S. Department of Agriculture</b>			<u>147,648</u>	<u>25,222</u>	<u>147,648</u>	<u>25,222</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
Title I Grants to Local Educational Agencies	84.010	045344-C1-S1-2006	<u>157,911</u>		<u>157,598</u>	
<b>Special Education Cluster:</b>						
(B) Special Education: Grants to States	84.027	045344-6B-SF-2006-P	<u>238,201</u>		<u>238,006</u>	
(B),(F) Special Education - Preschool Grants	84.173	045344-PG-S1-2005-P	(315)		-	
(B) Special Education - Preschool Grants	84.173	045344-PG-S1-2006-P	<u>6,623</u>		<u>5,697</u>	
<b>Total Special Education - Preschool Grants</b>			<u>6,308</u>		<u>5,697</u>	
<b>Total Special Education Cluster</b>			<u>244,509</u>		<u>243,703</u>	
Safe and Drug-Free Schools and Communities	84.186	045344-DR-S1-2006	<u>468</u>		<u>485</u>	
21st Century Community Learning Centers	84.287	045344-T1S1-2006	<u>284,623</u>		<u>271,691</u>	
Title VI - State Grants for Innovative Programs	84.298	045344-C2-S1-2005	848		-	
Title VI - State Grants for Innovative Programs	84.298	045344-C2-S1-2006	<u>2,650</u>		<u>-</u>	
<b>Title VI - State Grants for Innovative Programs</b>			<u>3,498</u>		<u>-</u>	
(F) Technology Literacy Challenge Fund Grants	84.318	045344-TJ-S1-2005	(130)		-	
Technology Literacy Challenge Fund Grants	84.318	045344-TJ-S1-2006	<u>1,003</u>		<u>803</u>	
<b>Total Technology Literacy Challenge Fund Grants</b>			<u>873</u>		<u>803</u>	
Title I Federal School Reform Demonstration	84.332	045344-RFCC-2006	<u>48,269</u>		<u>37,669</u>	
Improving Teacher Quality	84.367	045344-TR-S1-2005	7,918		-	
Improving Teacher Quality		045344-TR-S1-2006	<u>53,055</u>		<u>56,844</u>	
<b>Total Improving Teacher Quality</b>			<u>60,973</u>		<u>56,844</u>	
<b>Total U.S. Department of Education</b>			<u>801,124</u>		<u>768,793</u>	
<b>Total Federal Financial Assistance</b>			<u>\$ 948,772</u>	<u>\$ 25,222</u>	<u>\$ 916,441</u>	<u>\$ 25,222</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.  
 (B) Included as part of "Special Education Grant Cluster" in determining major programs.  
 (C) The Food Donation Program is a non-cash, in kind federal grant. Commodities are valued at fair market prices.  
 (D) Commingled with the state and local revenue from sales of lunches; assumed expenditures were made on a first in first out basis.  
 (E) This schedule was prepared on a cash basis of accounting.  
 (F) The amount of \$315 & \$130 was transferred to the next grant year based on Ohio Department of Education administrative action.



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Crestline Exempted Village School District, Crawford County, as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 11, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters that we have reported to the management of the Crestline Exempted Village School District in a separate letter dated December 11, 2006.

Board of Education  
Crestline Exempted Village School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Crestline Exempted Village School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However we noted other matters that we have reported to the management of Crestline Exempted Village School District in a separate letter dated December 11, 2006.

This report is intended solely for the information and use of the management and Board of Education of Crestline Exempted Village School District, Crawford County, 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.

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

Julian & Grube, Inc.  
December 11, 2006



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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

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

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

Compliance

We have audited the compliance of Crestline Exempted Village School District (the "District"), Crawford County, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that are applicable to its major federal program for the fiscal year ended June 30, 2006. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on compliance based on our audit.

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

Board of Education  
Crestline Exempted Village School District

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2006.

Internal Control Over Compliance

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

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

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

*Julian & Grube, Inc.*

Julian & Grube, Inc.  
December 11, 2006

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2006**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Program:	Special Education Cluster: Special Education - Grants to States - CFDA #84.027 and Special Education - Preschool Grants - CFDA #84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2006**

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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

**STATUS OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2006**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid</b>
2005-CEVSD-001	Ohio Revised Code Section 5705.39 requires that a subdivision's total appropriations from each fund should not exceed the total estimated resources.	Partially Corrected	Moved to Management Letter



**Mary Taylor, CPA**  
Auditor of State

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

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**MARCH 15, 2007**