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Crestline Exempted Village School District  
Crawford County, Ohio

*Audited Financial Statements*

For the Fiscal Year Ended  
June 30, 2016



**Crestline Exempted Village School District**  
**Crawford County, Ohio**  
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*June 30, 2016*

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November 8, 2016

To the Board of Education  
Crestline Exempted Village School District  
Crawford County, Ohio  
401 Heiser Court  
Crestline, OH 44827

## **Independent Auditor's Report**

### **Report on the Financial Statements**

We have audited the accompanying modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crestline Exempted Village School District, Crawford County, Ohio (the School District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Crestline Exempted Village School District, Crawford County, Ohio, as of June 30, 2016, and the respective changes in modified cash financial position and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the modified cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Other Matters***

***Supplemental Information***

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Information***

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2016, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

*Rea & Associates, Inc.*

Wooster, Ohio

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**Crestline Exempted Village School District**  
**Crawford County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*

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The management's discussion and analysis of the Crestline Exempted Village School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key financial highlights for fiscal year 2016 are as follows:

- In total, net position increased \$1,352,032.
- Outstanding debt decreased from \$13,906,151 to \$13,764,151 through principal payments made during the current fiscal year.

***Using this Annual Report***

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. For fiscal year 2016, the general fund and the bond retirement fund are the School District's most significant funds.

***Basis of Accounting***

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

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



**Crestline Exempted Village School District**  
**Crawford County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*

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***Reporting the School District as a Whole***

*Statement of Net Position and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2016?" The Statement of Net Position and the Statement of Activities answer this question.

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

In the Statement of Net Position and the Statement of Activities, governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities and food service operations.

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds include the general fund and bond retirement fund.

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

**Proprietary Fund** – The School District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its self-insurance program. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements.

**Crestline Exempted Village School District**  
**Crawford County, Ohio**  
*Management's Discussion and Analysis*  
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***Reporting the School District's Fiduciary Responsibilities***

**Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. These funds are not reflected in the government-wide financial statements because the resources are not available to support the School District's own programs. The School District's fiduciary funds include private purpose trust funds for assets held by the School District for the D.A.R.E. program and agency funds for student activities and any tournaments.

**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2016 compared to 2015.

**(Table 1)**  
**Net Position – Modified Cash Basis**

	Governmental Activities	
	2016	2015
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$ 3,343,961	\$ 2,466,795
Cash and Investments with Fiscal Agents	2,668,183	2,193,317
<i>Total Assets</i>	6,012,144	4,660,112
<b>Net Position</b>		
Restricted for:		
Capital Outlay	266,630	339,700
Debt Service	2,901,598	2,399,156
Classroom Facilities Maintenance	358,326	321,546
Other Purposes	139,355	138,268
Unrestricted	2,346,235	1,461,442
<i>Total Net Position</i>	\$ 6,012,144	\$ 4,660,112

Net position of the governmental activities increased \$1,352,032, which represents a 29 percent increase from fiscal year 2015. The School District saw a \$877,166 increase in cash and cash equivalents during fiscal year 2016. This was partially caused by an increase in state foundation due to the new state funding formula that outpaced any increases in expenses. Additionally, the School District saw a \$474,866 increase in cash and investments with fiscal agents due to timing of receipts and debt service payments.

A portion of the School District's net position, \$3,665,909 or 61 percent, represents resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position of \$2,346,235 may be used to meet the School District's ongoing obligations.

**Crestline Exempted Village School District**  
**Crawford County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*

Table 2 shows the changes in net position for fiscal year 2016 as compared to fiscal year 2015.

**(Table 2)**  
**Changes in Net Position – Modified Cash Basis**

	Governmental Activities	
	2016	2015
<b>Receipts</b>		
<b><i>Program Receipts</i></b>		
Charges for Services and Sales	\$ 318,602	\$ 414,986
Operating Grants, Contributions and Interest	1,521,591	1,570,693
Capital Grants and Contributions	0	19,809
<b><i>Total Program Receipts</i></b>	<b>1,840,193</b>	<b>2,005,488</b>
<b><i>General Receipts</i></b>		
Property Taxes	2,771,009	2,663,508
Income Taxes	195,307	201,194
Grants and Entitlements not Restricted to Specific Programs	6,221,712	4,761,642
Proceeds from Sale of Assets	0	77,975
Investment Earnings	80,409	65,103
Miscellaneous	29,371	50,668
<b><i>Total General Receipts</i></b>	<b>9,297,808</b>	<b>7,820,090</b>
<b><i>Total Receipts</i></b>	<b>11,138,001</b>	<b>9,825,578</b>
<b>Program Disbursements</b>		
Instruction:		
Regular	3,476,716	3,409,335
Special	1,563,806	1,436,028
Student Intervention Services	605	302
Other	830,088	832,206
Support Services:		
Pupils	271,029	285,352
Instructional Staff	258,529	224,876
Board of Education	61,060	38,897
Administration	710,093	592,146
Fiscal	364,187	296,045
Operation and Maintenance of Plant	713,607	710,383
Pupil Transportation	346,950	379,389
Central	18,026	21,923
Operation of Non-Instructional Services:		
Food Service Operations	316,337	365,928
Community Services	41,611	51,780
Extracurricular Activities	337,091	348,576
Capital Outlay	0	202,972
Debt Service:		
Principal Retirement	142,000	137,000
Interest and Fiscal Charges	334,234	339,649
<b><i>Total Program Disbursements</i></b>	<b>9,785,969</b>	<b>9,672,787</b>
<b><i>Excess / (Deficiency) Before Special Item</i></b>	<b>1,352,032</b>	<b>152,791</b>
Special Item	0	(327,587)
<b><i>Change in Net Position</i></b>	<b>1,352,032</b>	<b>(174,796)</b>
<b><i>Net Position Beginning of Year</i></b>	<b>4,660,112</b>	<b>4,834,908</b>
<b><i>Net Position End of Year</i></b>	<b>\$ 6,012,144</b>	<b>\$ 4,660,112</b>

**Crestline Exempted Village School District**  
**Crawford County, Ohio**

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*

Unrestricted grants and entitlements increased by \$1,460,070 due to capacity aid funding being introduced in fiscal year 2016. Capacity funding provides additional funding for school districts whose income generated for one mill of property tax is below the state median.

During fiscal year 2015, the School District closed out their Ohio Facilities Construction Commission (OFCC) construction project and had to return the final close out balance of \$327,587 to the OFCC, which was recorded as a special item.

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**(Table 3)**  
**Governmental Activities – Modified Cash Basis**

	Total Costs of Services		Net Costs of Services	
	2016	2015	2016	2015
<b><i>Program Disbursements</i></b>				
<b>Instruction:</b>				
Regular	\$ 3,476,716	\$ 3,409,335	\$ 3,193,841	\$ 3,110,476
Special	1,563,806	1,436,028	531,348	311,477
Student Intervention Services	605	302	118	(8)
Other	830,088	832,206	830,088	832,206
<b>Support Services:</b>				
Pupils	271,029	285,352	270,929	285,352
Instructional Staff	258,529	224,876	187,941	165,835
Board of Education	61,060	38,897	61,060	38,897
Administration	710,093	592,146	710,093	592,146
Fiscal	364,187	296,045	364,187	296,045
Operation and Maintenance of Plant	713,607	710,383	713,607	710,383
Pupil Transportation	346,950	379,389	328,433	362,720
Central	18,026	21,923	18,026	21,923
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations	316,337	365,928	5,231	10,216
Community Services	41,611	51,780	(27,784)	(13,530)
Extracurricular Activities	337,091	348,576	282,424	283,349
Capital Outlay	0	202,972	0	183,163
<b>Debt Service:</b>				
Principal Retirement	142,000	137,000	142,000	137,000
Interest and Fiscal Charges	334,234	339,649	334,234	339,649
<b>Total Program Disbursements</b>	<b>\$ 9,785,969</b>	<b>\$ 9,672,787</b>	<b>\$ 7,945,776</b>	<b>\$ 7,667,299</b>

The dependence upon tax revenues and general revenue entitlements from the state for governmental activities is apparent. Program revenues only account for 19 percent of all governmental expenses. The community is the largest area of support for the School District students.

**Crestline Exempted Village School District**  
**Crawford County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*

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***The School District's Funds***

The School District's governmental funds are accounted for using the modified cash basis of accounting.

The School District's governmental funds reported a combined fund balance of \$6,012,144, which is higher than the prior year balance of \$4,586,114.

The general fund's fund balance increased \$981,359 in 2016. This was caused by the increase in state funding.

The bond retirement fund's fund balance increased by \$502,442 in 2016. The increase in fund balance is due to the deferment of principal payments into a fiscal agent account on outstanding long-term obligations resulting in receipts exceeding disbursements.

***General Fund Budgeting Highlights***

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2016, the School District amended its general fund budget.

For the general fund, final budget basis receipts were \$234,891 higher than the original budget estimate of \$8,929,329. This is due to an increase in estimated receipts from the foundation. Actual receipts were \$9,189,068, representing an increase of \$24,848 from the final budget basis receipts of \$9,164,220.

For fiscal year 2016, the general fund final budget basis disbursements were \$8,073,478, which is over the original budgeted disbursements of \$8,033,478 by \$40,000. Actual disbursements of \$7,991,612 were \$81,866 less than the final budget.

***Debt Administration***

The School District had the following long-term obligations outstanding at June 30, 2016 and 2015.

**(Table 4)**  
**Outstanding Debt, at June 30**

	Governmental Activities	
	2016	2015
Ohio School Facilities Construction and Improvement Bonds, Series 2009	\$ 9,913,151	\$ 9,913,151
Lease-Purchase Obligations	3,851,000	3,993,000
<i>Total</i>	\$ 13,764,151	\$ 13,906,151

For further information regarding the School District's debt, refer to Note 6 of the basic financial statements.

**Crestline Exempted Village School District  
Crawford County, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016*

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***Current Issues***

Crestline Exempted Village School District is fiscally stable for the current fiscal year; however within the next two years the School District will face financial challenges due to the expiration of an Emergency Levy. The School District's management team continues to closely monitor expenditures of the School District and evaluate additional opportunities to maintain the current fiscal year's positive cash balance. The School District received additional funding from the State of Ohio and reduced expenditures in the general fund, which led to the School District being more fiscally stable for the current year and beyond. The goal is to provide a balance between a financially stable School District, while ensuring students are receiving the services they deserve and taxpayers are willing to support.

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

***Contacting the School District's Financial Management***

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Tonya Boyd, Treasurer, Crestline Exempted Village School District, 401 Heiser Court, Crestline, Ohio 44827-0350.

**Crestline Exempted Village School District**  
**Crawford County, Ohio**  
*Statement of Net Position - Modified Cash Basis*  
*June 30, 2016*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$ 3,343,961
Cash and Investments with Fiscal Agents	2,668,183
<i>Total Assets</i>	\$ 6,012,144
<b>Net Position</b>	
Restricted for:	
Capital Outlay	\$ 266,630
Debt Service	2,901,598
Classroom Facilities Maintenance	358,326
Other Purposes	139,355
Unrestricted	2,346,235
<i>Total Net Position</i>	\$ 6,012,144

See accompanying notes to the basic financial statements.

**Crestline Exempted Village School District**  
**Crawford County, Ohio**

*Statement of Activities - Modified Cash Basis*  
*For the Fiscal Year Ended June 30, 2016*

	Program Cash Receipts			Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Receipts and Changes in Net Position
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 3,476,716	\$ 200,139	\$ 82,736	\$ (3,193,841)
Special	1,563,806	27,132	1,005,326	(531,348)
Student Intervention Services	605	0	487	(118)
Other	830,088	0	0	(830,088)
Support Services:				
Pupils	271,029	0	100	(270,929)
Instructional Staff	258,529	0	70,588	(187,941)
Board of Education	61,060	0	0	(61,060)
Administration	710,093	0	0	(710,093)
Fiscal	364,187	0	0	(364,187)
Operation and Maintenance of Plant	713,607	0	0	(713,607)
Pupil Transportation	346,950	0	18,517	(328,433)
Central	18,026	0	0	(18,026)
Operation of Non-Instructional Services:				
Food Service Operations	316,337	11,100	300,006	(5,231)
Community Services	41,611	28,857	40,538	27,784
Extracurricular Activities	337,091	51,374	3,293	(282,424)
Debt Service:				
Principal Retirement	142,000	0	0	(142,000)
Interest and Fiscal Charges	334,234	0	0	(334,234)
<b>Totals</b>	<b>\$ 9,785,969</b>	<b>\$ 318,602</b>	<b>\$ 1,521,591</b>	<b>(7,945,776)</b>

**General Receipts**

Property Taxes Levied for:

General Purposes	2,140,419
Debt Service	513,075
Capital Outlay	78,979
Classroom Maintenance	38,536

Income Taxes Levied for:

General Purposes	195,307
Grants and Entitlements not Restricted to Specific Programs	6,221,712
Investment Earnings	80,409
Miscellaneous	29,371

**Total General Receipts** 9,297,808

Change in Net Position 1,352,032

*Net Position Beginning of Year* 4,660,112

*Net Position End of Year* \$ 6,012,144

See accompanying notes to the basic financial statements.



**Crestline Exempted Village School District**  
**Crawford County, Ohio**  
*Statement of Assets and Fund Balances - Modified Cash Basis*  
*Governmental Funds*  
*June 30, 2016*

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Investments	\$ 2,445,226	\$ 233,415	\$ 665,320	\$ 3,343,961
Cash and Investments with Fiscal Agents	<u>0</u>	<u>2,668,183</u>	<u>0</u>	<u>2,668,183</u>
<i>Total Assets</i>	<u>\$ 2,445,226</u>	<u>\$ 2,901,598</u>	<u>\$ 665,320</u>	<u>\$ 6,012,144</u>
<b>Fund Balances</b>				
Restricted	\$ 0	\$ 2,901,598	\$ 764,311	\$ 3,665,909
Committed	0	0	2,061	2,061
Assigned	18,836	0	0	18,836
Unassigned	<u>2,426,390</u>	<u>0</u>	<u>(101,052)</u>	<u>2,325,338</u>
<i>Total Fund Balances</i>	<u>\$ 2,445,226</u>	<u>\$ 2,901,598</u>	<u>\$ 665,320</u>	<u>\$ 6,012,144</u>

See accompanying notes to the basic financial statements.

**Crestline Exempted Village School District**  
**Crawford County, Ohio**  
*Statement of Receipts, Disbursements and Changes in*  
*Fund Balances - Modified Cash Basis - Governmental Funds*  
*For the Fiscal Year Ended June 30, 2016*

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$ 2,140,420	\$ 513,074	\$ 117,515	\$ 2,771,009
Income Taxes	195,307	0	0	195,307
Intergovernmental	6,609,813	85,378	1,036,223	7,731,414
Investment Income	1,441	78,864	17	80,322
Tuition and Fees	218,551	0	8,720	227,271
Extracurricular Activities	28,858	0	51,374	80,232
Gifts and Donations	7,576	0	4,294	11,870
Charges for Services	0	0	11,100	11,100
Miscellaneous	21,774	0	7,597	29,371
<i>Total Receipts</i>	<u>9,223,740</u>	<u>677,316</u>	<u>1,236,840</u>	<u>11,137,896</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	3,277,745	0	80,083	3,357,828
Special	899,925	0	585,041	1,484,966
Student Intervention Services	0	0	605	605
Other	830,088	0	0	830,088
Support Services:				
Pupils	256,542	0	2,710	259,252
Instructional Staff	159,382	0	87,643	247,025
Board of Education	61,060	0	0	61,060
Administration	683,211	0	1,422	684,633
Fiscal	339,592	13,290	2,969	355,851
Operation and Maintenance of Plant	628,711	0	52,020	680,731
Pupil Transportation	327,476	0	0	327,476
Central	18,026	0	0	18,026
Extracurricular Activities	271,295	0	59,918	331,213
Operation of Non-Instructional Services:				
Food Service Operations	0	0	314,322	314,322
Community Services	25,021	0	16,590	41,611
Debt Service:				
Principal Retirement	142,000	0	0	142,000
Interest and Fiscal Charges	17,029	161,584	155,621	334,234
<i>Total Disbursements</i>	<u>7,937,103</u>	<u>174,874</u>	<u>1,358,944</u>	<u>9,470,921</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,286,637</u>	<u>502,442</u>	<u>(122,104)</u>	<u>1,666,975</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	667	0	0	667
Advances Out	(240,945)	0	(667)	(241,612)
Transfers In	0	0	65,000	65,000
Transfers Out	(65,000)	0	0	(65,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(305,278)</u>	<u>0</u>	<u>64,333</u>	<u>(240,945)</u>
<i>Net Change in Fund Balances</i>	981,359	502,442	(57,771)	1,426,030
<i>Fund Balances Beginning of Year</i>	<u>1,463,867</u>	<u>2,399,156</u>	<u>723,091</u>	<u>4,586,114</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,445,226</u>	<u>\$ 2,901,598</u>	<u>\$ 665,320</u>	<u>\$ 6,012,144</u>

See accompanying notes to the basic financial statements.

**Crestline Exempted Village School District**  
**Crawford County, Ohio**

*Reconciliation of the Statement of Receipts, Disbursements and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities - Modified Cash Basis  
For the Fiscal Year Ended June 30, 2016*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 1,426,030
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*Amounts reported for governmental activities in the  
statement of activities are different because:*

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the entity-wide statement of activities. The net receipts (disbursements) of the internal service fund is reported with governmental activities.

(73,998)

*Change in Net Position of Governmental Activities*

\$ 1,352,032

See accompanying notes to the basic financial statements.

**Crestline Exempted Village School District**  
**Crawford County, Ohio**  
*Statement of Receipts, Disbursements and Changes in*  
*Cash Basis Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2016*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts and other financing sources	\$ 8,929,329	\$ 9,164,220	\$ 9,189,068	\$ 24,848
Disbursements and other financing uses	8,033,478	8,073,478	7,991,612	81,866
Net Change in Fund Balance	895,851	1,090,742	1,197,456	106,714
<i>Fund Balance Beginning of Year</i>	1,402,443	1,402,443	1,402,443	0
Prior Year Encumbrances Appropriated	20,853	20,853	20,853	0
<i>Fund Balance End of Year</i>	<u>\$ 2,319,147</u>	<u>\$ 2,514,038</u>	<u>\$ 2,620,752</u>	<u>\$ 106,714</u>

See accompanying notes to the basic financial statements.

**Crestline Exempted Village School District**  
**Crawford County, Ohio**

*Statement of Receipts, Disbursements and Changes in Fund Net Position - Modified Cash Basis*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2016*

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	Governmental Activities - Internal Service Fund
<b>Operating Receipts</b>	
Charges for Services	\$ 1,314,669
Other Operating Receipts	<u>138,936</u>
<i>Total Operating Receipts</i>	<u>1,453,605</u>
<b>Operating Disbursements</b>	
Purchased Services	65,908
Claims	<u>1,702,745</u>
<i>Total Operating Disbursements</i>	<u>1,768,653</u>
<i>Operating Income (Loss)</i>	<u>(315,048)</u>
<b>Non-Operating Receipts</b>	
Interest	<u>105</u>
<i>Income (Loss) before Advances</i>	(314,943)
Advances In	<u>240,945</u>
<i>Change in Net Position</i>	(73,998)
<i>Net Position Beginning of Year</i>	<u>73,998</u>
<i>Net Position End of Year</i>	<u><u>\$ 0</u></u>

See accompanying notes to the basic financial statements.

**Crestline Exempted Village School District**  
**Crawford County, Ohio**  
*Statement of Fiduciary Net Position - Modified Cash Basis*  
*Fiduciary Funds*  
*June 30, 2016*

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$ 660	\$ 17,525
<i>Total Assets</i>	\$ 660	\$ 17,525
 <b>Net Position</b>		
Held in Trust for Scholarships	\$ 660	\$ 0
Held on Behalf of Student Activities	0	17,525
<i>Total Net Position</i>	\$ 660	\$ 17,525

See accompanying notes to the basic financial statements.

**Crestline Exempted Village School District**  
**Crawford County, Ohio**  
*Statement of Changes in Fiduciary Net Position - Modified Cash Basis*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2016*

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	Scholarship
<b>Additions</b>	\$ 0
<b>Deductions</b>	0
<i>Change in Net Position</i>	0
<i>Net Position Beginning of Year</i>	660
<i>Net Position End of Year</i>	\$ 660

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, 2016*

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**Note 1 – Description of the School District and Reporting Entity**

Crestline Exempted Village School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally elected, five-member Board and lies entirely within Crawford and Richland Counties. The School District provides educational services as authorized by its charter or further mandated by state and/or federal agencies.

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

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

The following activities are included within the reporting entity:

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

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

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in this note, these financial statements are presented on the modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting.



**Crestline Exempted Village School District**  
**Crawford County, Ohio**

*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

**A. Basis of Accounting**

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

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

**B. Basis of Presentation - Fund Accounting**

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the School District as a whole. The statements include all funds of the School District except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" receipts and disbursements.

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

Fund Financial Statements

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

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

**Crestline Exempted Village School District**  
**Crawford County, Ohio**

*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

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

The funds of the financial reporting entity are described below:

*Governmental Funds/Governmental Activities*

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

General Fund – The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond Retirement Fund – The Bond Retirement Fund is used to account for property tax revenues to pay principal and interest of the School District's bonds.

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

*Proprietary Fund Types*

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

*Fiduciary Fund Types*

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

**Crestline Exempted Village School District**  
**Crawford County, Ohio**

*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level for all funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

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

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed disbursements and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Crawford County Budget Commission for rate determination.

Estimated Resources

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

**Crestline Exempted Village School District**  
**Crawford County, Ohio**

*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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Appropriations

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

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

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

Encumbrances

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

Lapsing of Appropriations

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

**D. Cash and Investments**

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

**Crestline Exempted Village School District**  
**Crawford County, Ohio**

*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as “equity in pooled cash and investments.” Investments with an original maturity of more than three months that are not made from the pool are reported as “investments.” During fiscal year 2016, investments were limited to certificates of deposit.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2016 were \$1,441, which includes \$391 assigned from other School District funds.

An analysis of the School District’s cash and investments is provided in Note 3 of the basic financial statements.

**E. Capital Assets**

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

**F. Accumulated Leave**

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

**G. Long-Term Debt**

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

**H. Intergovernmental Receipts**

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

**I. Inventory and Prepaid Items**

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

**Crestline Exempted Village School District**  
**Crawford County, Ohio**

*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**J. Interfund Transactions**

The School District reports interfund loans as advances in and advances out as other financing sources/uses and after nonoperating receipts/cash disbursements in proprietary funds. These items are not reflected as assets and liabilities in the accompanying financial statements.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 and after nonoperating receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

**K. Employer Contributions to Cost-Sharing Pension Plans**

The School District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for post-retirement health care benefits.

**L. Equity Classifications**

Government-Wide Statements

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

1. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation. Net position restricted for other purposes include resources restricted for capital improvements, Federal and State grants restricted to disbursements for specific purposes and food services. As of June 30, 2016, the School District did not have any net position restricted by enabling legislation.
2. Unrestricted net position – All other net position that do not meet the definition of “restricted.”

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

Fund Financial Statements

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

- a. Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

**Crestline Exempted Village School District**  
**Crawford County, Ohio**

*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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- b. Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.
- c. Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- d. Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.
- e. Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

## **M. Receipts and Disbursements**

### Program Receipts

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

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

**Crestline Exempted Village School District**  
**Crawford County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities. All receipts and disbursements not meeting this definition are considered nonoperating.

**N. Pensions**

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**O. 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. There were no special or extraordinary items during fiscal year 2016.

**P. Implementation of New Accounting Policies**

For the fiscal year ended June 30, 2016, the School District has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the School District.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the School District.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the School District.



**Crestline Exempted Village School District**  
**Crawford County, Ohio**

*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the School District.

**Note 3 – Deposits and Investments**

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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 monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

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

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

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

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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 and STAR Plus);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed forty percent of the interim moneys available for investment at any one time;
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

***Deposits***

Custodial credit risk is the risk that, in the event of bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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*Deposits with Financial Institutions* – At fiscal year-end, the carrying amount of the School District’s deposits was \$3,603,091 and the bank balance was \$3,780,939. Of the bank balance, \$748,287 was covered by federal depository insurance and \$3,032,652 was uninsured and collateralized by a 105 percent public depository pool, which was collateralized with securities held by the financial institution’s trust department but not in the School District’s name. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

*Cash and Investments with Fiscal Agents* – As of June 30, 2016, the School District had a \$(240,945) cash balance with the Jefferson Health Plan, which accounts for the self-insurance fund of employees. The School District is also setting aside monies in a Sinking Fund investment account with U S Bank that will be used to fund the scheduled balloon payment on their long-term obligation described in Note 6. The balance as of June 30, 2016, is \$2,668,183. These amounts are reported on the financial statements as “Cash and Investments with Fiscal Agents.”

**Note 4 – Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015 and are collected in 2016 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Crawford and Richland Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second-Half		2016 First-Half	
	Collections		Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 60,897,680	93%	\$ 62,901,680	92%
Public Utility Personal Property	4,879,420	7%	5,461,540	8%
<b>Total</b>	<b>\$ 65,777,100</b>	<b>100%</b>	<b>\$ 68,363,220</b>	<b>100%</b>
 Full Tax Rate per \$1,000 of Assessed Valuation	 \$ 73.90		 \$ 73.20	

**Note 5 – Income Tax**

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

**Note 6 – Long-Term Obligations**

Long-term obligations of the School District at June 30, 2016 consisted of the following:

	Interest Rate	Principal Outstanding 6/30/15	Additions	Reductions	Principal Outstanding 6/30/16	Due Within One Year
Ohio School Facilities Construction and Improvement Bonds, Series 2009	1.63%	\$ 9,913,151	\$ 0	\$ 0	\$ 9,913,151	\$ 0
Lease Purchase Obligations		3,993,000	0	142,000	3,851,000	148,000
<b>Total</b>		<b>\$ 13,906,151</b>	<b>\$ 0</b>	<b>\$ 142,000</b>	<b>\$ 13,764,151</b>	<b>\$ 148,000</b>

**Lease-purchase obligations** – The lease-purchase obligations will be paid from the general fund and the permanent improvement fund (a non-major governmental fund). See Note 7 for more details.

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

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Principal and interest payments are made from the bond retirement fund. The source of payment is an 8.9 mill property tax levy passed in May 2009. The bonds mature September 15, 2026. Interest payments on the bonds are due on June 1 and December 1 of each year and totaled \$170,936 for fiscal year 2016. The entire principal amount is due at the final maturity date. The School District is setting aside monies toward this future payment in a sinking fund, described in Note 3 as “Cash and Investments with Fiscal Agents.”

A required sinking fund payment of \$470,000 was paid in fiscal year 2016. Future sinking fund requirements are as follows:

Fiscal Year Ending June 30,	Amount
2017	\$ 505,000
2018	515,000
2019	520,000
2020	555,000
2021	565,000
2022-2026	3,090,000
2027	414,982
	<u>\$ 6,164,982</u>

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2016, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 0	\$ 161,584	\$ 161,584
2018	0	161,584	161,584
2019	0	161,584	161,584
2020	0	161,584	161,584
2021	0	161,584	161,584
2022-2026	0	807,920	807,920
2027	9,913,151	46,680	9,959,831
Total	<u>\$ 9,913,151</u>	<u>\$ 1,662,520</u>	<u>\$ 11,575,671</u>

**Note 7 – Lease-Purchase Agreements**

**A. OASBO (Ohio Association of School Business Officials) Capital Pool 1**

On August 13, 2009, the School District entered into a \$4,337,000 lease-purchase agreement with the Columbus Regional Airport Authority to finance a portion of the School District’s facilities construction project. Capital assets acquired by the lease have not been capitalized in the modified cash basis financial statements. Fiscal year 2016 the principal payment of \$122,000 was paid from the general fund and interest payments of \$161,298 were paid from the general and debt retirement funds.

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Following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the future minimum lease payments as of June 30, 2016:

<u>Fiscal Year Ending June 30,</u>	
2017	\$ 283,967
2018	283,373
2019	283,561
2020	282,487
2021	282,252
2022-2026	1,410,031
2027-2031	1,402,595
2032-2035	<u>1,116,421</u>
Total minimum lease payments	5,344,687
Less: amounts representing interest	<u>(1,748,687)</u>
Total	<u>\$ 3,596,000</u>

**B. OASBO Capital Pool 2**

On March 31, 2010, the School District entered into a \$315,000 lease-purchase agreement with the Columbus Regional Airport authority to pay for the issuance costs and fees related to the School District's bond issue (see Note 6 for details). The agreement required the School District to establish an escrow account with US Bank, as disclosed in Note 3. The School District draws down funds from these accounts as needed in order to cover expenses incurred. Fiscal year 2016 principal and interest payments of \$20,000 and \$9,638, respectively, were paid from the general fund.

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the future minimum lease payments as of June 30, 2016:

<u>Fiscal Year Ending June 30,</u>	
2017	\$ 28,913
2018	28,225
2019	32,525
2020	31,659
2021	30,767
2022-2026	<u>155,226</u>
Total minimum lease payments	307,315
Less: amounts representing interest	<u>(52,315)</u>
Total	<u>\$ 255,000</u>

**Note 8 – Leases**

The School District leases eight photocopier machines under a non cancelable lease. The School District disbursed \$26,526 to pay lease costs for the fiscal year ended June 30, 2016. Future lease payments are as follows:

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Fiscal Year Ending June 30,	Amount
2017	\$ 23,169
2018	23,169
2019	23,169
2020	14,680
	\$ 84,187

**Note 9 – Risk Management**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2016, the School District retained property insurance coverage, boiler and machinery coverage, and inland marine floaters in the blanket amount of \$35,174,930 with 100 percent coinsurance, replacement cost endorsement and a \$1,000 deductible for property damage. Vehicles are also covered and hold a \$250 deductible for comprehensive and a \$500 deductible for collision, busses area \$1000 deductible for both. Automobile liability has a \$5,000,000 limit of liability for bodily injury per person, per occurrence, and property damage.

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

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

**B. Workers' Compensation**

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

**C. Employee Dishonesty Bonds**

The School District carries employee dishonesty bonds for the Superintendent, Assistant Treasurer, and all Board Members, in the amount of \$20,000, and for the Treasurer in the amount of \$100,000. Also, an employee blanket dishonesty bond in the amount of \$25,000 is provided to cover all other employees of the School District.

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**D. Life Insurance**

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

Superintendent	\$50,000
Treasurer	66,000
High School Principal	75,000
Elementary Principal	68,000

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

**E. Employee Group Medical and Dental Insurance**

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

**Note 10 – Defined Benefit Pension Plans**

**Net Pension Liability**

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.



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GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

***Plan Description - School Employees Retirement System (SERS)***

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows  
:

	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\*Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2016.

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The School District's contractually required contribution to SERS was \$251,775 for fiscal year 2016.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$414,688 for fiscal year 2016.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 7,691,730	\$ 2,086,885	\$ 9,778,615
Proportion of the Net Pension Liability	0.02783120%	0.03657290%	

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
	<u>100.00 %</u>	

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**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 2,893,760	\$ 2,086,885	\$ 1,407,430

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increase	2.75 percent at 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2.00 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year, for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

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Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
	100.00 %	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 10,684,393	\$ 7,691,730	\$ 5,160,987

**Note 11 – Post Employment Benefits**

**A. School Employees Retirement System**

**Health Care Plan Description** - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Crestline Exempted Village School District**  
**Crawford County, Ohio**

*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, SERS did not allocate any employer contributions to the Health Care fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2016, 2015, and 2014 were \$18,150, \$29,700, and \$20,108, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

## **B. State Teachers Retirement System**

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$28,187, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

## **Note 12 – Budgetary Basis of Accounting**

The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Modified Cash Basis), presented for the general fund, is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the modified cash basis are that:

**Crestline Exempted Village School District  
Crawford County, Ohio**

*Notes To The Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

(a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,

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

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

	<u>General Fund</u>
Modified Cash Basis	\$ 981,359
Funds Budgeted Elsewhere**	(6,647)
Adjustment for Encumbrances	(18,201)
Advances out for negative cash	240,945
Budget Basis	<u>\$ 1,197,456</u>

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

**Note 13 - Interfund Activity**

**A. Interfund Transfers**

During fiscal year 2016, the School District transferred \$65,000 from the general fund to the permanent improvement fund to cover the cost of architect fees for facility improvements that will be funded by outside sources.

**B. Interfund Advances**

During the fiscal year ended June 30, 2016, the following advances in and out occurred:

	<u>Advances In</u>	<u>Advances Out</u>
Fund:		
General	\$ 667	\$ 240,945
Other Governmental Funds:		
Auxiliary Services	0	667
Employee Benefits Self-Insurance	240,945	0
	<u>\$ 241,612</u>	<u>\$ 241,612</u>

At June 30, 2016, the general fund advanced \$240,945 to cover negative cash balances in the internal service fund. The general fund received \$667 which was the repayment of prior year advances.



**Crestline Exempted Village School District**  
**Crawford County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 14 – Statutory Reserves**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for capital improvements during fiscal year 2016.

	Capital Maintenance Reserve
Set Aside Restricted Balance June 30, 2015	\$ 0
Current Year Set Aside Requirement	116,148
Current Year Offsets	(133,579)
Total	\$ (17,431)
Balance Carried Forward to Fiscal Year 2017	\$ 0
Set Aside Restricted Balance June 30, 2016	\$ 0

Although the School District had current year offsets during the fiscal year that reduced the set aside amount to below zero for the capital maintenance reserve, this amount may not be used to reduce the set aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years.

**Note 15 – Jointly Governed Organization**

Heartland Council of Governments/North Central Ohio Computer Cooperative (the “COG”) – The COG is a jointly governed organization among 16 school districts, one educational service center and a career center. The COG is an association of public school districts within the boundaries of Ashland, Crawford, Huron, Marion, Morrow, Richland, Seneca, and Wyandot counties. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each member school district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Cooperative Assembly consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Cooperative Assembly. During fiscal year 2016, the School District paid \$109,718 to the COG for various services. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875- 0309.

**Crestline Exempted Village School District**  
**Crawford County, Ohio**

*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 16 – Insurance Purchasing Pool**

Jefferson Health Plan – The School District is a participant with several other school districts in an insurance purchasing pool to operate the Jefferson Health Plan was formed for the purpose of providing insurance. The Jefferson Plan is governed by a board of directors consisting of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board.

**Note 17 – Related Entity**

Crestline Public Library (the “Library”)

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

**Note 18 – Encumbrance Commitments**

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the School District’s commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Amount</u>
General Fund	\$18,836
Other Governmental	11,726
Total Governmental Funds	<u>\$30,562</u>

**Note 19 – Contingencies**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2016, if applicable, cannot be determined at this time.

**B. Litigation**

The School District is not party to any claims or lawsuits that would, in the School District’s opinion, have a material effect of 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, 2016*

**C. School District Funding**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 or June 30, 2016 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

**Note 20 – Fund Balance**

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

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

	<b>General Fund</b>	<b>Bond Retirement</b>	<b>Other Governmental</b>	<b>Total Governmental</b>
<b>Restricted for:</b>				
Capital Improvements	\$ 0	\$ 0	\$ 266,630	\$ 266,630
Debt Service	0	2,901,598	0	2,901,598
Classroom Maintenance	0	0	358,326	358,326
Food Service Operations	0	0	79,219	79,219
School Supplies	0	0	2,421	2,421
Student Activities	0	0	21,299	21,299
Educational Activities	0	0	26,564	26,564
Auxillary Services	0	0	9,852	9,852
<b>Total Restricted</b>	<u>0</u>	<u>2,901,598</u>	<u>764,311</u>	<u>3,665,909</u>
<b>Committed to:</b>				
Staff Activities	<u>0</u>	<u>0</u>	<u>2,061</u>	<u>2,061</u>
<b>Assigned for:</b>				
Encumbrances:				
Instruction	2,874	0	0	2,874
Support Services	15,867	0	0	15,867
Operation of Non-Instructional Services	95	0	0	95
<b>Total Assigned</b>	<u>18,836</u>	<u>0</u>	<u>0</u>	<u>18,836</u>
<b>Unassigned</b>	<u>2,426,390</u>	<u>0</u>	<u>(101,052)</u>	<u>2,325,338</u>
<b>Total Fund Balance</b>	<u><b>\$ 2,445,226</b></u>	<u><b>\$ 2,901,598</b></u>	<u><b>\$ 665,320</b></u>	<u><b>\$ 6,012,144</b></u>

**Crestline Exempted Village School District**  
**Crawford County, Ohio**

*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 21 – Compliance**

Ohio Administrative Code, Section 117-2-03(B), requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2016, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code, Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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**Crestline Exempted Village School District**  
**Crawford County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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November 8, 2016

To the Board of Education  
Crestline Exempted Village School District  
Crawford County, Ohio  
401 Heiser Court  
Crestline, OH 44827

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Crestline Exempted Village School District, Crawford County, Ohio (the School District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 8, 2016, wherein we noted the School District uses a comprehensive basis of accounting other than generally accepted accounting principles.

***Internal Control over Financial Reporting***

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2016-001.

***School District's Response to the Finding***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rea & Associates, Inc.*

Wooster, Ohio

November 8, 2016

To the Board of Education  
Crestline Exempted Village School District  
Crawford County, Ohio  
401 Heiser Court  
Crestline, OH 44827

**Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Federal Program and on Internal Control  
Over Compliance Required by the Uniform Guidance**

***Report on Compliance for Each Major Federal Program***

We have audited the Crestline Exempted Village School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings and questioned costs identifies the School District's major federal programs.

***Management's Responsibility***

The School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.



***Opinion on Each Major Federal Program***

In our opinion, the Crestline Exempted Village School District, Crawford County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2016.

***Report on Internal Control Over Compliance***

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

*Rea & Associates, Inc.*

Wooster, Ohio

**Crestline Exempted Village School District**  
**Crawford County, Ohio**  
*Schedule of Expenditures of Federal Awards*  
*For the Fiscal Year Ended June 30, 2016*

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Disbursements	Amount Paid to Subrecipients
<b>U. S. Department of Education</b>				
<b>(Passed Through Ohio Department of Education):</b>				
Title I	84.010	2015	\$ 41,349	\$ 0
Title I	84.010	2016	230,557	0
Title I - School Improvement	84.010	2015	9,572	0
Title I - School Improvement	84.010	2016	78,475	0
Total Title I			359,953	0
<i>Special Education Cluster:</i>				
Special Education_Grants to States	84.027	2015	19,327	0
Special Education_Grants to States	84.027	2016	180,365	0
Total Special Education_Grants to States			199,692	0
Special Education_Preschool Grants	84.173	2016	2,127	0
<i>Total Special Education Cluster</i>			201,819	0
Title VI-B Rural and Low Income	84.358	2015	1,037	0
Title VI-B Rural and Low Income	84.358	2016	3,146	0
Total Title VI-B Rural and Low Income			4,183	0
Title II-A Improving Teacher Quality	84.367	2015	(894)	0
Title II-A Improving Teacher Quality	84.367	2016	44,288	0
Total Title II-A			43,394	0
Total U.S. Department of Education			609,349	0
<b>U. S. Department of Agriculture</b>				
<b>(Passed Through Ohio Department of Education):</b>				
<i>Child Nutrition Cluster:</i>				
School Breakfast Program: Non-Cash Assistance	10.553	2016	7,279	0
School Breakfast Program: Cash Assistance	10.553	2016	102,127	0
National School Lunch Program: Non-Cash Assistance	10.555	2016	13,566	0
National School Lunch Program: Cash Assistance	10.555	2016	190,352	0
<i>Total Child Nutrition Cluster</i>			313,324	0
Child and Adult Care Food Program	10.558	2016	4,137	0
Total U.S. Department of Agriculture			317,461	0
Total Federal Assistance			<b>\$ 926,810</b>	<b>\$ 0</b>

**Crestline Exempted Village School District**  
**Crawford County, Ohio**  
*Notes to the Schedule of Expenditures of Federal Awards*  
*2CFR 200.510(b)(6)*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Crestline Exempted Village School District (the School District) under programs of the federal government for the fiscal year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - CHILD NUTRITION CLUSTER**

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

**NOTE D – FOOD DONATION PROGRAM**

The School District reports commodities consumed on the Schedule at the entitlement value. The School District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.

**Crestline Exempted Village School District**  
**Crawford County, Ohio**  
*Schedule of Findings and Questioned Costs*  
*2 CFR Section 200.515*  
*June 30, 2016*

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list): Special Education Cluster Title I	CFDA # 84.027/84.173 84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

**Crestline Exempted Village School District**  
**Crawford County, Ohio**  
*Schedule of Findings and Questioned Costs (Continued)*  
*2 CFR Section 200.515*  
*June 30, 2016*

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number:** 2016-001 – **Material Noncompliance**

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

**Condition:** For fiscal year 2016, the School District prepared its financial statements and notes on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

**Cause:** The School District Board of Education elected to discontinue preparing its financial statements in accordance with GAAP.

**Effect:** The accompanying basic financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. In addition, required supplementary information (RSI), including the Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions, were omitted from the financial statements.

**Recommendations:** The School District should implement procedures to prepare its annual financial report in accordance with GAAP to comply with Ohio Admin. Code Section 117-2-03(B).

**Management's Response/Corrective Action:** No corrective action will be implemented. The School District plans to continue reporting on the modified cash basis of accounting.  
Contact Person: Tonya Boyd, Treasurer

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
--

**None**

**Crestline Exempted Village School District**  
**Crawford County, Ohio**  
*Schedule of Prior Audit Findings*  
*For the Fiscal Year Ended June 30, 2016*

<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; Explain:</b>
2015-001	Financial Statements – Should be prepared in accordance with generally accepted accounting principles.	No	Not Corrected – The School District plans to continue reporting on the modified cash basis of accounting. Repeated as Finding 2016-001.