

Crestline Exempted Village School District
Crawford County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2012



Dave Yost • Auditor of State

Board of Education
Crestline Exempted Village School District
511 South Thoman Street
P. O. Box 350
Crestline, Ohio 44827-0350

We have reviewed the *Independent Auditor's Report* of the Crestline Exempted Village School District, Crawford County, prepared by Rea & Associates, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

February 25, 2013

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Crawford Exempted Village School District
Crawford County, Ohio
Table of Contents

Title	Page
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Assets – Modified Cash Basis	10
Statement of Activities – Modified Cash Basis.....	11
Fund Financial Statements:	
Statement of Assets and Fund Balances - Modified Cash Basis – Governmental Funds.....	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities – Modified Cash Basis	13
Statement of Receipts, Disbursements, and Changes in Fund Balances – Modified Cash Basis – Governmental Funds.....	14
Reconciliation of the Statement of Receipts, Disbursements and Changes in Fund Balances of Governmental Funds to the Statement of Activities Modified Cash Basis	– 15
Statement of Receipts, Disbursements, and Changes in Modified Cash Basis Fund Balance – Budget and Actual (Budget Basis) –General Fund.....	16
Statement of Fund Net Assets – Modified Cash Basis – Proprietary Fund.....	17
Statement of Receipts, Disbursements and Changes in Fund Net Assets – Modified Cash Basis – Proprietary Fund	18
Statement of Fiduciary Net Assets – Modified Cash Basis – Fiduciary Funds.....	19
Statement of Changes in Fiduciary Net Assets – Modified Cash Basis – Private Purpose Trust Fund	20
Notes to the Basic Financial Statements.....	21
Independent Auditor's Report on Internal Control over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	48
Schedule of Expenditures of Federal Awards –Cash Basis	50
Notes to the Schedule of Federal Expenditures of Federal Awards –Cash Basis	51
Schedule of Findings and Questioned Costs.....	52
Schedule of Prior Audit Findings	54

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December 17, 2012

The Board of Education
Crestline Exempted Village School District
Crawford County, Ohio
511 South Thoman Street
Crestline, Ohio 44827

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crestline Exempted Village School District, Crawford County, Ohio (the "School District"), as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2012, and the respective changes in modified cash financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2012, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

We conducted our audit to opine on the School District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities, and long-term debt. The schedule of expenditures of federal awards (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Rea & Associates, Inc.

Crestline Exempted Village School District
Crawford County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

The 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, 2012. 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 2012 are as follows:

- ❑ In total, net assets decreased \$9,102,311, mostly due to increased capital outlay disbursements for ongoing construction projects.
- ❑ Outstanding debt decreased from \$14,388,151 to \$14,284,151 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 Assets* 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 2012, the general fund and Classroom Facilities 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 cash equivalents and changes in cash and cash equivalents 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 assets will be cash and cash equivalents. The *Statement of Activities* reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the 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, 2012

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2012?" The Statement of Net Assets and the Statement of Activities answer this question.

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

In the Statement of Net Assets 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 12. 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 the Classroom Facilities fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the 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 health insurance benefits. 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
For the Fiscal Year Ended June 30, 2012

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 scholarship funds and agency funds for student activities.

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2012 compared to 2011.

(Table 1)
Net Assets – Modified Cash Basis

	Governmental Activities	
	2012	2011
Assets		
Equity in Pooled Cash and Investments	\$ 13,177,308	\$ 21,759,994
Cash and Investments with Fiscal Agents	807,499	442,406
Cash and Cash Equivalents with Escrow Agents	1,944,367	2,829,085
<i>Total Assets</i>	15,929,174	25,031,485
Net Assets		
Restricted for:		
Capital Outlay	11,880,639	21,269,762
Debt Service	1,037,957	650,362
Bus Purchase	14,291	14,291
Set Asides	35,920	35,920
Other Purposes	319,596	350,838
Unrestricted	2,640,771	2,710,312
<i>Total Net Assets</i>	\$ 15,929,174	\$ 25,031,485

Net assets of the governmental activities decreased \$9,102,311, which represents a 36 percent decrease from fiscal year 2011.

A portion of the School District's net assets, \$13,288,403 or 83 percent, represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net assets of \$2,640,771 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, 2012

Table 2 shows the changes in net assets for fiscal year 2012 as compared to fiscal year 2011.

(Table 2)

Changes in Net Assets – Modified Cash Basis

	Governmental Activities	
	2012	2011
Receipts		
Program Receipts		
Charges for Services and Sales	\$ 418,482	\$ 488,515
Operating Grants, Contributions and Interest	1,081,863	1,416,728
Capital Grants, Contributions and Interest	817,510	8,441,633
<i>Total Program Receipts</i>	<i>2,317,855</i>	<i>10,346,876</i>
General Receipts		
Property Taxes	2,690,757	2,618,020
Income Taxes	145,288	88,559
Grants and Entitlements not Restricted to Specific Programs	4,555,853	4,537,964
Payments in Lieu of Taxes	0	25,262
Proceeds from Sale of Capital Assets	212	31,754
Investment Earnings	14,184	17,091
Miscellaneous	47,393	73,354
<i>Total General Receipts</i>	<i>7,453,687</i>	<i>7,392,004</i>
<i>Total Receipts</i>	<i>9,771,542</i>	<i>17,738,880</i>
Program Disbursements		
Instruction:		
Regular	3,322,168	3,216,671
Special	1,048,188	1,184,193
Other	455,674	412,994
Support Services:		
Pupils	345,868	348,179
Instructional Staff	385,037	355,921
Board of Education	44,684	25,760
Administration	732,922	677,699
Fiscal	320,864	303,469
Operation and Maintenance of Plant	620,486	583,757
Pupil Transportation	277,797	297,144
Central	22,715	22,178
Operation of Non-Instructional Services:		
Food Service Operations	280,039	297,311
Community Services	62,816	64,175
Extracurricular Activities	334,303	346,779
Capital Outlay	10,162,424	3,639,251
Debt Service:		
Principal Retirement	104,000	100,000
Interest and Fiscal Charges	353,868	351,415
<i>Total Program Disbursements</i>	<i>18,873,853</i>	<i>12,226,896</i>
<i>Change in Net Assets</i>	<i>(9,102,311)</i>	<i>5,511,984</i>
<i>Net Assets Beginning of Year</i>	<i>25,031,485</i>	<i>19,519,501</i>
<i>Net Assets End of Year</i>	<i>\$ 15,929,174</i>	<i>\$ 25,031,485</i>

Capital outlay increased by \$6,523,173 over last year due to the on-going K-12 construction project expected to be completed in late 2012. Operating grants, contributions and interest decreased by \$7,624,123 over last year due to the timing of the payments received from OSFC.

Crestline Exempted Village School District
Crawford County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

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	
	2012	2011	2012	2011
<i>Program Disbursements</i>				
Instruction:				
Regular	\$ 3,322,168	\$ 3,216,671	\$ (2,834,150)	\$ (2,664,097)
Special	1,048,188	1,184,193	(620,336)	(650,845)
Other	455,674	412,994	(455,674)	(146,773)
Support Services:				
Pupils	345,868	348,179	(341,594)	(343,830)
Instructional Staff	385,037	355,921	(249,302)	(293,333)
Board of Education	44,684	25,760	(44,684)	(25,760)
Administration	732,922	677,699	(732,922)	(639,271)
Fiscal	320,864	303,469	(320,864)	(294,841)
Operation and Maintenance of Plant	620,486	583,757	(620,486)	(564,948)
Pupil Transportation	277,797	297,144	(277,797)	(297,144)
Central	22,715	22,178	(22,715)	(22,178)
Operation of Non-Instructional Services:				
Food Service Operations	280,039	297,311	(2,984)	(11,264)
Community Services	62,816	64,175	(12,609)	(6,095)
Extracurricular Activities	334,303	346,779	(258,822)	(277,470)
Capital Outlay	10,162,424	3,639,251	(9,326,105)	4,802,382
Debt Service:				
Principal Retirement	104,000	100,000	(104,000)	(100,000)
Interest and Fiscal Charges	353,868	351,415	(330,954)	(344,553)
<i>Total</i>	<u>\$ 18,873,853</u>	<u>\$ 12,226,896</u>	<u>\$ (16,555,998)</u>	<u>\$ (1,880,020)</u>

The dependence upon tax revenues and general revenue entitlements from the state for governmental activities is apparent. Program revenues only account for 12 percent of all governmental expenses. The community is the largest area of support for the School District students.

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 \$15,834,450, which is lower than the prior year balance of \$24,883,941.

Crestline Exempted Village School District
Crawford County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

The general fund had total cash receipts, excluding other financing sources, of \$6,957,235. The cash disbursements of the general fund totaled \$7,070,344. The general fund's fund balance decreased \$112,897 in 2012. The decrease in fund balance can be attributed to increased costs for administration and facilities operation and maintenance.

The Classroom Facilities fund had total cash receipts of \$815,215 and total cash disbursements of \$8,816,816, for a decrease in fund balance of \$8,001,601 in 2012. The decrease in fund balance is primarily due to the School District spending on construction projects.

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 2012, the School District amended its general fund budget several times. For the general fund, final budget basis receipts, excluding other financing sources, were \$6,982,409, representing an increase of \$329,412 from the original estimate of \$6,652,997. Actual receipts, excluding other financing sources, of \$6,916,528 were \$65,881 lower than the final budget. Of this decrease, most was attributable to decreased intergovernmental receipts.

For fiscal year 2012, the general fund final budget basis disbursements, excluding other financing uses, were \$7,054,961, which is over the original budgeted disbursements of \$6,641,266. Actual disbursements, excluding other financing uses, of \$7,048,981 were \$5,980 lower than the final budget. Actual instruction disbursements were lower than budgeted expectations.

Debt Administration

The School District had the following long-term obligations outstanding at June 30, 2012 and 2011.

(Table 4)
Outstanding Debt, at June 30

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Ohio School Facilities Construction and Improvement Bonds, Series 2009	\$ 9,913,151	\$ 9,913,151
Lease-Purchase Obligations	4,371,000	4,475,000
<i>Total</i>	<u>\$ 14,284,151</u>	<u>\$ 14,388,151</u>

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, 2012*

Current Issues

Overall, the School District is fiscally sound. However, it is a fact that school districts face many financial challenges. The first challenge is that although the School District had the resources necessary to meet operating expenses in fiscal year 2012, primarily due to closely monitoring expenditures, it will be critical that the School District's management continues to operate the School District within its financial means, in order to avoid operating deficits. According to the School District's five-year forecast, in fiscal year 2013 the School District will experience an operating deficit if revenues do not increase. School District management is currently evaluating revenue options and cuts in expenditures that will provide a balance for a financially stable School District, students that are receiving the services they deserve and taxpayers that are willing to support the needs of both.

The Board of Education passed a 8.91 mill bond levy in May 2009 to support the School District's participation with the OSFC on a project for a PK-12 facility that will be 60% funded by the State of Ohio and 40% funded by local taxpayers. The total co-funded project is estimated at a cost of \$27,081,678. Additionally, in May 2009 the Board passed a 0.25% earned income tax to support current operating expenses related to the debt attributable to the Locally Funded Initiatives (LFI) within the building project in the amount of \$4,275,285, to increase the total project cost to an estimated \$31,356,963. Of the total project cost, an estimated \$16,202,807 will be funded by the State of Ohio and an estimated \$15,154,156 will be funded by local taxpayers. The project is currently under construction with an anticipated move-in date of December 2012.

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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 Julie Smith, Treasurer, Crestline Exempted Village School District, 511 S. Thoman St., P.O. Box 350, Crestline, Ohio 44827-0350.

Crestline Exempted Village School District
Crawford County, Ohio
Statement of Net Assets - Modified Cash Basis
June 30, 2012

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 13,177,308
Cash and Investments with Fiscal Agents	807,499
Cash and Cash Equivalents with Escrow Agents	1,944,367
<i>Total Assets</i>	15,929,174
Net Assets	
Restricted for:	
Capital Outlay	11,880,639
Debt Service	1,037,957
Bus Purchase	14,291
Set Asides	35,920
Other Purposes	319,596
Unrestricted	2,640,771
<i>Total Net Assets</i>	\$ 15,929,174

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, 2012

	Program Cash Receipts				Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Receipts and Changes in Net Assets
Governmental Activities					
Instruction:					
Regular	\$ 3,322,168	\$ 235,411	\$ 252,607	\$ 0	\$ (2,834,150)
Special	1,048,188	43,712	384,140	0	(620,336)
Other	455,674	0	0	0	(455,674)
Support Services:					
Pupils	345,868	0	4,274	0	(341,594)
Instructional Staff	385,037	21,360	114,375	0	(249,302)
Board of Education	44,684	0	0	0	(44,684)
Administration	732,922	0	0	0	(732,922)
Fiscal	320,864	0	0	0	(320,864)
Operation and Maintenance of Plant	620,486	0	0	0	(620,486)
Pupil Transportation	277,797	0	0	0	(277,797)
Central	22,715	0	0	0	(22,715)
Operation of Non-Instructional Services:					
Food Service Operations	280,039	58,201	218,854	0	(2,984)
Community Services	62,816	7,149	43,058	0	(12,609)
Extracurricular Activities	334,303	52,649	22,832	0	(258,822)
Capital Outlay	10,162,424	0	18,809	817,510	(9,326,105)
Debt Service:					
Principal Retirement	104,000	0	0	0	(104,000)
Interest and Fiscal Charges	353,868	0	22,914	0	(330,954)
Totals	\$ 18,873,853	\$ 418,482	\$ 1,081,863	\$ 817,510	(16,555,998)

General Receipts

Property Taxes Levied for:	
General Purposes	2,049,974
Debt Service	525,768
Capital Outlay	115,015
Income Taxes Levied for:	
General Purposes	145,288
Grants and Entitlements not Restricted to Specific Programs	4,555,853
Proceeds from Sale of Capital Assets	212
Investment Earnings	14,184
Miscellaneous	47,393
Total General Receipts	7,453,687
Change in Net Assets	(9,102,311)
<i>Net Assets Beginning of Year</i>	<u>25,031,485</u>
<i>Net Assets End of Year</i>	<u>\$ 15,929,174</u>

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, 2012

	General Fund	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$ 2,546,047	\$ 10,018,767	\$ 562,283	\$ 13,127,097
Restricted Cash and Cash Equivalents	50,211	0	0	50,211
Cash and Investments with Fiscal Agents	0	0	712,775	712,775
Cash and Cash Equivalents with Escrow Agents	0	408,616	1,535,751	1,944,367
<i>Total Assets</i>	<u>\$ 2,596,258</u>	<u>\$ 10,427,383</u>	<u>\$ 2,810,809</u>	<u>\$ 15,834,450</u>
Fund Balances				
Restricted	\$ 50,211	\$ 10,427,383	\$ 2,878,992	\$ 13,356,586
Committed	0	0	5,254	5,254
Assigned	665,972	0	0	665,972
Unassigned	1,880,075	0	(73,437)	1,806,638
<i>Total Fund Balances</i>	<u>\$ 2,596,258</u>	<u>\$ 10,427,383</u>	<u>\$ 2,810,809</u>	<u>\$ 15,834,450</u>

See accompanying notes to the basic financial statements.

Crestline Exempted Village School District
Crawford County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities - Modified Cash Basis
June 30, 2012

Total Governmental Fund Balances	\$ 15,834,450
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*Amounts reported for governmental activities in the
statement of net assets are different because:*

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

94,724

Net Assets of Governmental Activities

\$ 15,929,174

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, 2012

	General Fund	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$ 2,049,973	\$ 0	\$ 640,782	\$ 2,690,755
Income Taxes	145,288	0	0	145,288
Intergovernmental	4,415,747	789,820	1,170,548	6,376,115
Investment Income	11,543	25,395	25,705	62,643
Tuition and Fees	267,636	0	20,456	288,092
Extracurricular Activities	6,674	0	46,998	53,672
Gifts and Donations	621	0	27,392	28,013
Charges for Services	12,360	0	61,766	74,126
Miscellaneous	47,393	0	2,590	49,983
<i>Total Receipts</i>	<u>6,957,235</u>	<u>815,215</u>	<u>1,996,237</u>	<u>9,768,687</u>
Disbursements				
Current:				
Instruction:				
Regular	3,025,911	0	272,077	3,297,988
Special	601,744	0	437,674	1,039,418
Other	451,453	0	4,221	455,674
Support Services:				
Pupils	339,192	0	5,269	344,461
Instructional Staff	279,982	0	101,971	381,953
Board of Education	44,684	0	0	44,684
Administration	722,403	0	5,017	727,420
Fiscal	301,658	0	18,196	319,854
Operation and Maintenance of Plant	613,572	0	852	614,424
Pupil Transportation	273,756	0	0	273,756
Central	22,715	0	0	22,715
Extracurricular Activities	257,779	0	76,524	334,303
Operation of Non-Instructional Services:				
Food Service Operations	0	0	278,632	278,632
Community Services	8,837	0	53,979	62,816
Capital Outlay	4,648	8,816,816	1,340,960	10,162,424
Debt Service:				
Principal Retirement	104,000	0	0	104,000
Interest and Fiscal Charges	18,010	0	335,858	353,868
<i>Total Disbursements</i>	<u>7,070,344</u>	<u>8,816,816</u>	<u>2,931,230</u>	<u>18,818,390</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(113,109)</u>	<u>(8,001,601)</u>	<u>(934,993)</u>	<u>(9,049,703)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	212	0	0	212
<i>Total Other Financing Sources (Uses)</i>	<u>212</u>	<u>0</u>	<u>0</u>	<u>212</u>
<i>Net Change in Fund Balances</i>	(112,897)	(8,001,601)	(934,993)	(9,049,491)
<i>Fund Balances Beginning of Year</i>	<u>2,709,155</u>	<u>18,428,984</u>	<u>3,745,802</u>	<u>24,883,941</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,596,258</u>	<u>\$ 10,427,383</u>	<u>\$ 2,810,809</u>	<u>\$ 15,834,450</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, 2012*

Net Change in Fund Balances - Total Governmental Funds	\$ (9,049,491)
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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.

(52,820)

Change in Net Assets of Governmental Activities

\$ (9,102,311)

See accompanying notes to the basic financial statements.

Crestline Exempted Village School District
Crawford County, Ohio
Statement of Receipts, Disbursements and Changes
In Modified Cash Basis Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$ 1,956,759	\$ 2,053,645	\$ 2,049,973	\$ (3,672)
Income Taxes	138,434	145,288	145,288	0
Intergovernmental	4,273,294	4,484,879	4,415,747	(69,132)
Investment Income	5,311	5,574	11,543	5,969
Tuition and Fees	242,904	254,931	254,931	0
Charges for Services	10,868	11,406	12,360	954
Miscellaneous	25,427	26,686	26,686	0
<i>Total Receipts</i>	<u>6,652,997</u>	<u>6,982,409</u>	<u>6,916,528</u>	<u>(65,881)</u>
Disbursements				
Current:				
Instruction:				
Regular	2,834,717	3,011,296	3,005,386	5,910
Special	566,458	601,744	601,744	0
Other	424,980	451,453	451,453	0
Support Services:				
Pupils	319,490	339,392	339,392	0
Instructional Staff	263,598	280,018	280,019	(1)
Board of Education	45,233	48,051	48,051	0
Administration	680,042	722,403	722,403	0
Fiscal	286,322	304,158	304,158	0
Operation and Maintenance of Plant	578,510	614,546	614,546	0
Pupil Transportation	257,750	273,806	273,806	0
Central	21,774	23,130	23,130	0
Extracurricular Activities	242,731	257,850	257,779	71
Capital Outlay	4,805	5,104	5,104	0
Debt Service:				
Principal Retirement	97,902	104,000	104,000	0
Interest and Fiscal Charges	16,954	18,010	18,010	0
<i>Total Disbursements</i>	<u>6,641,266</u>	<u>7,054,961</u>	<u>7,048,981</u>	<u>5,980</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>11,731</u>	<u>(72,552)</u>	<u>(132,453)</u>	<u>(59,901)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	202	212	212	0
Refund of Prior Year Expenditures	19,730	20,707	20,707	0
Transfers In	48,255	50,644	0	(50,644)
Transfers Out	(52,199)	(55,451)	(4,807)	50,644
<i>Total Other Financing Sources (Uses)</i>	<u>15,988</u>	<u>16,112</u>	<u>16,112</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	27,719	(56,440)	(116,341)	(59,901)
<i>Fund Balance Beginning of Year</i>	2,632,940	2,632,940	2,632,940	0
Prior Year Encumbrances Appropriated	44,866	44,866	44,866	0
<i>Fund Balance End of Year</i>	<u>\$ 2,705,525</u>	<u>\$ 2,621,366</u>	<u>\$ 2,561,465</u>	<u>\$ (59,901)</u>

See accompanying notes to the basic financial statements.

Crestline Exempted Village School District
Crawford County, Ohio
Statement of Fund Net Assets - Modified Cash Basis
Proprietary Fund
June 30, 2012

	<u>Governmental Activities</u> <u>Internal Service Fund</u>
Assets	
Cash and Investments with Fiscal Agents	<u>\$ 94,724</u>
<i>Total Assets</i>	<u>94,724</u>
Net Assets	
Unrestricted	<u>94,724</u>
<i>Total Net Assets</i>	<u><u>\$ 94,724</u></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 Assets - Modified Cash Basis
Proprietary Fund
For the Fiscal Year Ended June 30, 2012

	Governmental Activities - Internal Service Fund
Operating Receipts	
Charges for Services	\$ 1,125,236
<i>Total Operating Receipts</i>	<u>1,125,236</u>
Operating Disbursements	
Purchased Services	243,847
Claims	936,851
<i>Total Operating Disbursements</i>	<u>1,180,698</u>
<i>Operating Income (Loss)</i>	<u>(55,462)</u>
Non-Operating Receipts (Disbursements)	
Interest	<u>2,642</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>2,642</u>
<i>Change in Net Assets</i>	(52,820)
<i>Net Assets Beginning of Year</i>	<u>147,544</u>
<i>Net Assets End of Year</i>	<u><u>\$ 94,724</u></u>

See accompanying notes to the basic financial statements.

Crestline Exempted Village School District
Crawford County, Ohio
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
June 30, 2012

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 660	\$ 17,147
<i>Total Assets</i>	\$ 660	\$ 17,147
Net Assets		
Held for Student Activities	\$ 660	\$ 17,147
<i>Total Net Assets</i>	\$ 660	\$ 17,147

See accompanying notes to the basic financial statements.

Crestline Exempted Village School District
Crawford County, Ohio
Statement of Changes in Fiduciary Net Assets - Modified Cash Basis
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2012

	Scholarship
Additions	\$ 0
Deductions	0
<i>Change in Net Assets</i>	0
<i>Net Assets Beginning of Year</i>	660
<i>Net Assets 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, 2012

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, Ohio Mid-Eastern Regional Educational Services Agency, and Crestline Public Library. Information about these organizations is presented in Notes 13, 14 and 15 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, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.A., 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. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The FASB has codified its standards and the standards issued prior to November 30, 1989, are included in the codification.

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.

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

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

B. Basis of Presentation - Fund Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Assets and Statement of Activities display information about the School District as a whole. The statements include all funds of the School District except for fiduciary funds.

Crestline Exempted Village School District
Crawford County, Ohio

Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

FUND FINANCIAL STATEMENTS

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

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

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:

Crestline Exempted Village School District
Crawford County, Ohio

Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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.

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

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

Proprietary Fund Types

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

Fiduciary Fund Types

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

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.

Crestline Exempted Village School District
Crawford County, Ohio

Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Tax Budget

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

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

Estimated Resources

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

Appropriations

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

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.

Crestline Exempted Village School District
Crawford County, Ohio

Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Encumbrances

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

Lapsing of Appropriations

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

D. Cash and Investments

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as "equity in pooled cash and investments." Investments with an original maturity of more than three months that are not made from the pool are reported as "investments." During fiscal year 2012, investments were limited to certificates of deposit and a repurchase agreement.

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 2012 were \$11,543, which includes \$9,593 assigned from other School District funds.

An analysis of the School District's 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.

Crestline Exempted Village School District
Crawford County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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.

J. Interfund Receivables/Payables

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

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

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

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 9 and 10, the employer contributions include portions for pension benefits and for post-retirement health care benefits.

Crestline Exempted Village School District
Crawford County, Ohio

Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

L. Equity Classifications

GOVERNMENT-WIDE STATEMENTS

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

1. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation. Net assets restricted for other purposes include resources restricted for capital improvements and Federal and State grants restricted to disbursements for specific purposes and food services. As of June 30, 2012, the School District did not have any net assets restricted by enabling legislation.
2. Unrestricted net assets – All other net assets that do not meet the definition of “restricted.”

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

FUND FINANCIAL STATEMENTS

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

- a. 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.
- 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.

Crestline Exempted Village School District
Crawford County, Ohio

Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

M. Receipts and Disbursements

Program Receipts

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

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

Operating Receipts and Disbursements

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

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.

Crestline Exempted Village School District
Crawford County, Ohio

Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Crestline Exempted Village School District
Crawford County, Ohio

Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Deposits With Financial Institutions – At fiscal year-end, the carrying amount of the School District's deposits was \$12,135,065 and the bank balance was \$12,268,058. Of the bank balance, \$2,106,194 was covered by federal depository insurance and \$10,161,864 was uninsured and collateralized by a 105% public depository pool, which was collateralized with securities held by the financial institution's trust department but not in the School District's name. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Cash on Hand – As of June 30, 2012, the School District had \$50 in undeposited cash on hand which is included in the fund balance and is reported on the financial statements as part of "Equity in Pooled Cash and Investments."

Cash and Investments with Fiscal Agents – As of June 30, 2012, the School District has a \$94,724 cash balance with Ohio Mid-Eastern Regional Education Service Agency, which accounts for the OME-RESA Self Insurance fund of employees. The School District is also setting aside monies in a Sinking Fund 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, 2012, is \$712,775 and has been excluded from the investments reported below as it is not part of the School District's internal investment pool. These amounts are reported on the financial statements as "Cash and Investments with Fiscal Agents".

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

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

Cash and Cash Equivalents with Escrow Agents – At fiscal year-end, \$1,535,751 was on deposit in escrow accounts with U S Bank related to the lease purchase obligations of the School District (see Note 7). The amount on deposit with the escrow agent has been excluded from the investments reported below as it is not part of the School District’s internal investment pool. The School District also has public fund money market investment accounts with Citizens Bank for retainage monies related to various construction projects and totaling \$408,616. The June 30, 2012, balances of these escrow accounts are reported on the financial statements as “Cash and Cash Equivalents with Escrow Agents”.

Investments

Investments are reported at cost. As of June 30, 2012, the School District had the following pooled investments:

	Cost as of 06/30/12	% of Total Investment	Maturity < 1 Year
Federal Home Loan Mortgage	\$ 535,000	50.47%	\$ 535,000
Federal National Mortgage	525,000	49.53%	525,000
Totals	\$ 1,060,000	100.00%	\$ 1,060,000

Interest Rate Risk

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchases of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The School District’s investment policy limits investment portfolio maturities to five years or less as a means of limiting its exposure to losses arising from rising interest rates and in accordance with State law. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District’s investment in repurchase agreements is collateralized by underlying securities pledged by the investments counterparty, not in the name of the School District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a repurchase agreement by 2 percent. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District’s investment policy does not specifically address credit risk beyond requiring the School District to only invest in securities authorized by State statute. The School District’s investments in the federal agency securities that underlie the School District’s repurchase agreement were rated AAA by Moody’s Investor Services.

Crestline Exempted Village School District
Crawford County, Ohio

Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Concentration of Credit Risk

The School District places no limit on the amount that may be invested in any one issuer; however State statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time. 100% of the School District's investments are in a repurchase agreement.

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 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid 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 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in 2012 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

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, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second-Half Collections		2012 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 53,680,860	77.3%	\$ 53,206,430	76.3%
Industrial/Commercial	11,780,510	17.0%	12,299,030	17.7%
Public Utility	4,007,250	5.7%	4,215,900	6.0%
Total Assessed Value	\$ 69,468,620	100.0%	\$ 69,721,360	100.0%
Tax Rate per \$1,000 of Assessed Valuation	\$72.77		\$72.80	

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, 2012 consisted of the following:

	Interest Rate	Principal Outstanding 6/30/11	Additions	Reductions	Principal Outstanding 6/30/12	Due Within One Year
Ohio School Facilities Construction and Improvement Bonds, Series 2009	1.63%	\$ 9,913,151	\$ 0	\$ 0	\$ 9,913,151	\$ 0
Lease Purchase Obligations		4,475,000	0	104,000	4,371,000	108,000
		\$ 14,388,151	\$ 0	\$ 104,000	\$ 14,284,151	\$ 108,000

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

Principal and interest payments are made from the bond retirement fund. The source of payment is an 8.9 mill property tax levy passed in May, 2009. The bonds mature September 15, 2026. Interest payments on the bonds are due on June 1 and December 1 of each year and totaled \$161,584 for the fiscal year 2012. 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.”

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.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2012, are as follows:

Crestline Exempted Village School District
Crawford County, Ohio

Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 0	\$ 161,584	\$ 161,584
2014	0	161,584	161,584
2015	0	161,584	161,584
2016	0	161,584	161,584
2017	0	161,584	161,584
2018-2022	0	807,920	807,920
2023-2027	9,913,151	693,016	10,606,167
Total	<u>\$ 9,913,151</u>	<u>\$ 2,308,856</u>	<u>\$ 12,222,007</u>

NOTE 7 – LEASE-PURCHASE AGREEMENTS

A. On August 13, 2009, the School District entered into a \$4,337,000 lease-purchase agreement with the Columbus Regional Airport Authority to finance a portion of the School District's school facilities construction project. The lease agreement required the School District to establish an escrow account with US Bank, as disclosed in Note 3. The School District draws down funds from the account as construction bills come due. Capital assets acquired by the lease have not been capitalized in the cash basis financial statements. Fiscal year 2012 principal and interest payments of \$104,000 and \$180,614, respectively, were paid from the general and permanent improvement funds.

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, 2012:

<u>Fiscal Year Ending June 30,</u>	
2013	\$ 284,069
2014	284,349
2015	283,411
2016	283,298
2017	283,967
2018-2022	1,414,429
2023-2027	1,408,139
2028-2032	1,401,347
2033-2035	836,805
Total minimum lease payments	<u>6,479,814</u>
Less: amounts representing interest	<u>(2,423,814)</u>
Total	<u>\$ 4,056,000</u>

B. On March 31, 2010, the School District entered into a \$315,000 lease-purchase agreement with the Columbus Regional Airport authority to pay for the issuance costs and fees related to the School District's bond issue (see Note 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.

Crestline Exempted Village School District
Crawford County, Ohio

Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Principal payments are deferred until fiscal year 2014. Fiscal year 2012 interest payments of \$11,040 were made from the general fund.

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the future minimum lease payments as of June 30, 2012:

<u>Fiscal Year Ending June 30,</u>	
2013	\$ 11,010
2014	31,025
2015	30,325
2016	29,638
2017	28,913
2018-2022	153,076
2023-2026	125,326
Total minimum lease payments	<u>409,313</u>
Less: amounts representing interest	(94,313)
Total	<u><u>\$ 315,000</u></u>

NOTE 8 – RISK MANAGEMENT

1. Property and Liability

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2012, the School District retained property insurance coverage, boiler and machinery coverage, and inland marine floaters in the blanket amount of \$21,688,657 with 100% coinsurance, replacement cost endorsement and a \$1,000 deductible. Vehicles are also covered and hold a \$250 deductible for comprehensive and a \$500 deductible for collision. Automobile liability has a \$1,000,000 limit of liability for bodily injury per person, per occurrence, and property damage.

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

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

2. Workers' Compensation

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

Crestline Exempted Village School District
Crawford County, Ohio

Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

3. Employee Dishonesty Bonds

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

4. Life Insurance

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

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

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

3. Employee Group Medical and Dental Insurance

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

NOTE 9 – PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Crestline Exempted Village School District
Crawford County, Ohio

Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$126,102, \$117,839 and \$134,240, respectively; 31 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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

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

Crestline Exempted Village School District
Crawford County, Ohio

Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$404,921, \$417,075 and \$431,476, respectively; 84 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$15,071 made by the School District and \$10,765 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2012, no members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

NOTE 10 – POST EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at 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, 2012

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, .55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. 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.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011, and 2010 were \$21,999, \$14,268, and \$25,519, respectively; 31 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$7,447, \$7,583, and \$7,983, respectively; 31 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System

Plan Description - The School District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$31,148, \$32,083, and \$33,190, respectively; 84 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

Crestline Exempted Village School District
Crawford County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 11 – FUND BALANCE

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

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

	<u>General Fund</u>	<u>Classroom Facilities</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Restricted for:				
Capital Improvements	\$ 0	\$ 10,427,383	\$ 1,453,256	\$ 11,880,639
Debt Service	0	0	1,037,957	1,037,957
Classroom Maintenance	0	0	172,035	172,035
Food Service Operations	0	0	107,986	107,986
Bus Purchase	14,291	0	0	14,291
Budget Reserve	35,920	0	0	35,920
School Supplies	0	0	42,122	42,122
Student Activities	0	0	20,853	20,853
Educational Activities	0	0	36,206	36,206
Auxillary Services	0	0	8,577	8,577
Total Restricted	<u>50,211</u>	<u>10,427,383</u>	<u>2,878,992</u>	<u>13,356,586</u>
Committed to:				
Staff Activities	0	0	5,254	5,254
Total Committed	<u>0</u>	<u>0</u>	<u>5,254</u>	<u>5,254</u>
Assigned for:				
Educational Activities	910	0	0	910
Support Services	11,665	0	0	11,665
Capital Improvements	456	0	0	456
Subsequent Year Appropriations	652,941	0	0	652,941
Total Assigned	<u>665,972</u>	<u>0</u>	<u>0</u>	<u>665,972</u>
Unassigned	<u>1,880,075</u>	<u>0</u>	<u>(73,437)</u>	<u>1,806,638</u>
Total Fund Balance	<u>\$ 2,596,258</u>	<u>\$ 10,427,383</u>	<u>\$ 2,810,809</u>	<u>\$ 15,834,450</u>

NOTE 12 – 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. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2012, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year-end.

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

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

The following cash basis information identifies the changes in the fund balance reserves for capital improvements and workers compensation during fiscal year 2012.

	Capital Maintenance Reserve	Bureau of Workers Compensation Reserve
Set Aside Restricted Balance June 30, 2011	\$ 0	\$ 35,920
Current Year Set Aside Requirement	125,218	0
Current Year Offsets	(149,123)	0
Total	\$ (23,905)	\$ 35,920
Balance Carried Forward to Fiscal Year 2013	\$ 0	\$ 35,920
Set Aside Restricted Balance June 30, 2012	\$ 0	\$ 35,920

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 13 – JOINTLY GOVERNED ORGANIZATIONS

Heartland Council of Governments/North Central Ohio Computer Cooperative (the “COG”) – The COG is a jointly governed organization among 16 school districts, one educational service center and a career center. The COG is an association of public school districts within the boundaries of Ashland, Crawford, Huron, Marion, Morrow, Richland, Seneca, and Wyandot counties. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each member school district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Cooperative Assembly consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Cooperative Assembly. During fiscal year 2012, the District paid \$109,077 to the COG for various services. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875- 0309.

NOTE 14 – INSURANCE PURCHASING POOL

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

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

*Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

NOTE 15 – 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 16 –COMMITMENTS

A. Contractual Commitments

At June 30, 2012, the School District has the following contractual commitments:

<u>Contractor/Vendor</u>	<u>Contracted Amount</u>	<u>Amount Remaining</u>	<u>Description</u>
Adena Corp.	\$ 1,935,953	\$ 4,810,771	General Trades
Standard Plumbing & Heating Co.	1,096,800	492,332	Plumbing
Standard Plumbing & Heating Co.	3,247,000	2,186,140	HVAC
Spring Electrical Contracting	2,353,928	1,306,719	Electric
Farnham Equipment Co.	558,860	558,860	Casework
Breckenridge Equipment & Design, Inc.	291,846	289,638	Kitchen Equipment
Southeast Security Corp.	969,060	842,891	Technology
Telamon Construction	2,116,000	52,998	Sitework
Cuyahoga Fencing	79,175	25,422	Fencing
Central Fire Protection	289,875	67,180	Fire Protection
Continental Office Equip	565,744	565,744	Furniture
School Specialty	27,500	27,500	Furniture
Heery International, Inc.	131,564	40,522	Construction Management
CTL Engineering	99,000	218	Testing Services
Jackson & Sons Drilling & Pump, Inc.	1,043,000	18,322	Geothermal
MKC & Associates, Inc.	1,527,665	137,446	Design Professional
	<u>\$ 16,332,970</u>	<u>\$ 11,422,704</u>	

B. Encumbrance Commitments

Outstanding encumbrances for governmental funds include \$13,859 in the General fund, \$9,083,956 in the Classroom Facilities fund and \$1,231,014 in nonmajor governmental funds.

Crestline Exempted Village School District
Crawford County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 17 – CONTINGENCIES

A. Review of Statewide Attendance Data

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

B. 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

C. 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.

NOTE 18 – 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:

- (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).

Crestline Exempted Village School District
Crawford County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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:

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ (116,341)
Funds budgeted elsewhere**	(9,539)
Adjustment for encumbrances	12,983
Modified cash basis	\$ (112,897)

** 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 public school support funds and unclaimed monies.

NOTE 19 – ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2012, the School District had deficit balances in various funds, as listed below:

<u>Fund Description</u>	<u>Deficit Balance</u>
Public School Preschool	\$ (15,134)
Education Jobs	(16,942)
IDEA, Part B, Special Education	(17,075)
Title I, Disadvantaged Children	(19,629)
Improving Teacher Quality	(3,430)
Miscellaneous Federal Grants	(1,227)

The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed. The deficit fund balances were created at June 30, 2012, as a result of late disbursements from the grant authorities.

B. 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 2012, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, liabilities, net assets/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.

December 17, 2012

The Board of Education
Crestline Exempted Village School District
Crawford County, Ohio
511 South Thoman Street
Crestline, OH 44827

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

We have audited the 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, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 17, 2012, wherein we noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Crestline Exempted Village School District
Independent Auditor's Report On Internal Control Over Financial
Reporting And On Compliance And Other Matters Based On
An Audit of Financial Statements Performed In Accordance With
Government Auditing Standards
December 17, 2012

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying *Schedule of Findings and Questioned Costs* as item #2012-01.

We noted certain matters that we reported to management of the School District in a separate letter dated December 17, 2012.

Crestline Exempted Village 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.

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

Rea & Associates, Inc.

December 17, 2012

The Board of Education
Crestline Exempted Village School District
Crawford County, Ohio
511 South Thoman Street
Crestline, Ohio 44827

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

Compliance

We have audited the compliance of Crestline Exempted Village School District, Crawford County, Ohio (the "School District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

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

Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

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

Rea & Associates, Inc.

Crestline Exempted Village School District
Crawford County, Ohio
Schedule of Expenditures of Federal Awards - Cash Basis
For the Fiscal Year Ended June 30, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements
U. S. Department of Education				
(Passed Through Ohio Department of Education):				
<i>Title I Cluster:</i>				
Title I	84.010	2011	\$ 48,635	\$ 41,277
Title I	84.010	2012	161,720	199,381
Title I- ARRA	84.389	2011	3,684	5,648
<i>Total Title I Cluster</i>			<u>214,039</u>	<u>246,306</u>
<i>Special Education Cluster:</i>				
Special Education_Grants to States	84.027	2011	27,732	35,465
Special Education_Grants to States	84.027	2012	139,559	156,634
Special Education_Grants to States- ARRA	84.391	2012	2,810	3,686
<i>Total Special Education_Grants to States</i>			<u>170,101</u>	<u>195,785</u>
Special Education_Preschool Grants	84.173	2012	4,274	4,274
<i>Total Special Education Cluster</i>			<u>174,375</u>	<u>200,059</u>
Title VI-B Rural and Low Income	84.358	2012	10,225	11,451
Title II-D - ARRA	84.318	2012	1,748	1,722
Title II-A Improving Teacher Quality	84.367	2011	8,937	11,324
Title II-A Improving Teacher Quality	84.367	2012	35,791	39,220
<i>Total Title II-A</i>			<u>44,728</u>	<u>50,544</u>
Education Jobs Grant	84.410	2012	130,598	147,537
Total U.S. Department of Education			<u>575,713</u>	<u>657,619</u>
U. S. Department of Agriculture				
(Passed Through Ohio Department of Education):				
<i>Child Nutrition Cluster:</i>				
School Breakfast Program	10.553	2012	47,782	47,782
National School Lunch Program: Non-Cash Assistance	10.555	2012	18,171	18,171
National School Lunch Program: Cash Assistance	10.555	2012	165,147	165,147
<i>Total Child Nutrition Cluster</i>			<u>231,100</u>	<u>231,100</u>
Child and Adult Care Food Program	10.558	2012	3,185	3,185
Total U.S. Department of Agriculture			<u>234,285</u>	<u>234,285</u>
Total Federal Assistance			<u><u>\$ 809,998</u></u>	<u><u>\$ 891,904</u></u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

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

*Notes to the Schedule of Expenditures of Federal Awards – Cash Basis
For the Fiscal Year Ended June 30, 2012*

Note A – Significant Accounting Policies

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

Note B – National School Lunch Program

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

Note C – Matching Requirements

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

Note D – Transfers

The School District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30 and spent by September 30). However, with Ohio Department of Education’s (ODE) approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the School District a total of 27 months to spend the assistance. During fiscal year 2012, the ODE authorized the following transfer:

<u>CFDA</u> <u>Number</u>	<u>Program Title</u>	<u>Program</u> <u>Year</u>	<u>Transfers Out</u>	<u>Transfers In</u>
84.010	Title I	2011	\$ 18,031	
84.010	Title I	2012		\$ 18,031

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

*Schedule of Findings and Questioned Costs
OMMB Circular A-133, Section. 505
For the Fiscal Year Ended June 30, 2012*

1. SUMMARY OF AUDITOR'S RESULTS
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Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	No
Noncompliance material to financial statements noted?	Yes
 Federal Awards	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No
Identification of major programs:	Nutrition Cluster Grants CFDA #10.553 & 10.555
Dollar threshold used to distinguish between Type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

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

*Schedule of Findings and Questioned Costs
OMMB Circular A-133, Section. 505
For the Fiscal Year Ended June 30, 2012*

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

**FINDING 2012-01
Material Noncompliance**

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

Condition Found: For fiscal year 2012, the School District prepared its financial statements on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

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

Corrective Action: Contact Person: Julie Smith, Treasurer
No corrective action will be implemented. The School District plans to continue reporting on the cash basis of accounting.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted.

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

*Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2012*

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2011-01	Financial Statements – Significant audit adjustments to correct the posting of receipts into the accounting system.	Yes	
2011-02	Financial Statements – Should be prepared in accordance with generally accepted accounting principles.	No	Not Corrected – The School District plans to continue reporting on the cash basis of accounting.



Dave Yost • Auditor of State

CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT

CRAWFORD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 12, 2013**