



**Auditor of State  
Betty Montgomery**



**CRESTVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report .....	1
Combined Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balances – All Governmental Fund Types and Similar Fiduciary Funds - For the Year Ended June 30, 2004 .....	3
Combined Statement of Cash Receipts, Disbursements and Changes In Fund Cash Balances – All Proprietary Fund Types and Similar Fiduciary Funds - For the Year Ended June 30, 2004 .....	4
Combined Statement of Receipts - Budget and Actual For the Year Ended June 30, 2004 .....	5
Combined Statement of Disbursements and Encumbrances Compared With Expenditure Authority - For the Year Ended June 30, 2004 .....	6
Notes to the Financial Statements .....	9
Independent Accountants' Report on Compliance and On Internal Control Required By <i>Government Auditing Standards</i> .....	21
Schedule of Findings.....	23
Schedule of Prior Audit Findings .....	24

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Crestview Local School District  
Van Wert County  
531 East Tully Street  
Convoy, Ohio 45832

To the Board of Education:

We have audited the accompanying financial statements of Crestview Local School District, Van Wert County, (the School District), as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of the School District, as of June 30, 2004, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board of Education, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

September 13, 2004

**CRESTVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Governmental Fund Types				Fiduciary Funds	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
<b>Revenues:</b>						
Taxes	\$1,723,549	\$31,222	\$287,300	\$124,887		\$2,166,958
Tuition	470,060					470,060
Intergovernmental	4,392,395	302,192	33,873	41,125		4,769,585
Interest	59,605	142				59,747
Payment in Lieu of Taxes	138,060					138,060
Extracurricular Activities		220,231				220,231
Classroom Materials & Fees	35,480					35,480
Miscellaneous	3,796	27,987			6,759	38,542
<b>Total Revenues</b>	<b>6,822,945</b>	<b>581,774</b>	<b>321,173</b>	<b>166,012</b>	<b>6,759</b>	<b>7,898,663</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	3,584,984	62,683		2,199	9,728	3,659,594
Special	587,670	57,092			8,298	653,060
Vocational	174,418					174,418
Other	193,793					193,793
Support Services:						
Pupils	365,738	148,320				514,058
Instruction	234,042	13,904		2,400		250,346
Board of Education	29,336					29,336
Administration	549,729	585				550,314
Fiscal	178,727	458	7,728	3,226		190,139
Operation and Maintenance	441,470	46,536				488,006
Transportation	327,992					327,992
Central Services	141,062					141,062
Extracurricular Activities	196,763	184,774				381,537
Capital Outlay				62,810		62,810
Debt Service:			290,324			290,324
<b>Total Expenditures</b>	<b>7,005,724</b>	<b>514,352</b>	<b>298,052</b>	<b>70,635</b>	<b>18,026</b>	<b>7,906,789</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(182,779)	67,422	23,121	95,377	(11,267)	(8,126)
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	46					46
Refund of Prior Year Expenditures	16,922	455				17,377
Refund of Prior Year Receipts		(300)				(300)
Operating Transfers Out	(550)					(550)
Operating Advances In				138,060		138,060
Operating Advances Out	(138,060)					(138,060)
<b>Total Other Financing Sources (Uses)</b>	<b>(121,642)</b>	<b>155</b>		<b>138,060</b>		<b>16,573</b>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(304,421)	67,577	23,121	233,437	(11,267)	8,447
Fund Balances (Deficits) at Beginning of Year	1,440,515	115,611	133,933	365,950	22,579	2,078,588
Fund Balances (Deficits) at End of Year	<u>\$1,136,094</u>	<u>\$183,188</u>	<u>\$157,054</u>	<u>\$599,387</u>	<u>\$11,312</u>	<u>2,087,035</u>

*The accompanying notes are an integral part of the financial statements.*

**CRESTVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS,  
DISBURSEMENTS AND CHANGES IN FUND BALANCES  
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<b>Proprietary Fund Types</b>		<b>Fiduciary Funds</b>	<b>Totals (Memorandum Only)</b>
	<b>Enterprise</b>	<b>Internal Service</b>	<b>Agency</b>	
<b>Operating Revenues:</b>				
Food Services	\$299,542			\$299,542
Extracurricular Activities		55,188	31,016	86,204
Classroom Materials & Fees	21,567			21,567
Miscellaneous	53,200			53,200
<b>Total Operating Revenue</b>	<b>374,309</b>	<b>55,188</b>	<b>31,016</b>	<b>460,513</b>
<b>Operating Expenses:</b>				
Salaries	194,802		66	194,868
Fringe Benefits	55,236			55,236
Purchased Services	7,835	55,413		63,248
Materials and Supplies	216,853		6,112	222,965
Capital Outlay	1,884			1,884
Other Objects	142		23,411	23,553
<b>Total Operating Expenses</b>	<b>476,752</b>	<b>55,413</b>	<b>29,589</b>	<b>561,754</b>
<b>Operating Income (Loss)</b>	<b>(102,443)</b>	<b>(225)</b>	<b>1,427</b>	<b>(101,241)</b>
<b>Non-Operating Revenues:</b>				
Miscellaneous	1,425			1,425
Interest	1,706			1,706
Refund of Prior Year Expenditures	35	160		195
Federal and State Subsidies	86,091			86,091
<b>Total Non-Operating Revenues</b>	<b>89,257</b>	<b>160</b>		<b>89,417</b>
Receipts Over/(Under) Disbursements Before Interfund Transfers	(13,186)	(65)	1,427	(11,824)
Transfers-In	550			550
<b>Net Income (Loss)</b>	<b>(12,636)</b>	<b>(65)</b>	<b>1,427</b>	<b>(11,274)</b>
Fund Balance at Beginning of Year	72,191	422	17,451	90,064
<b>Fund Balance at End of Year</b>	<b>\$59,555</b>	<b>\$357</b>	<b>\$18,878</b>	<b>\$78,790</b>

*The accompanying notes are an integral part of the financial statements.*



**CRESTVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**COMBINED STATEMENT OF RECEIPTS-BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2004**

Fund Types/Fund	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
<b>Governmental:</b>			
General Fund	\$6,774,435	\$6,839,913	\$65,478
Special Revenue Funds	580,433	582,229	1,796
Debt Service Funds	320,861	321,173	312
Capital Project Funds	304,160	304,072	(88)
<b>Proprietary:</b>			
Enterprise Funds	459,923	464,116	4,193
Internal Service Funds	55,348	55,348	
<b>Fiduciary:</b>			
Trust Funds	<u>7,409</u>	<u>6,759</u>	<u>(650)</u>
Total (Memorandum Only)	<u><u>\$8,502,569</u></u>	<u><u>\$8,573,610</u></u>	<u><u>\$71,041</u></u>

*The notes to the financial statements are an integral part of this statement.*

**CRESTVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND  
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE YEAR ENDED JUNE 30, 2004**

<b>Fund Types/Fund</b>	<b>Prior Year Carryover Appropriations</b>	<b>2004 Appropriations</b>	<b>Total</b>
<b>Governmental:</b>			
General Fund	\$2,305	\$7,514,773	\$7,517,078
Special Revenue Funds	7,898	605,422	613,320
Debt Service Funds		299,000	299,000
Capital Project Funds		180,000	180,000
<b>Proprietary:</b>			
Enterprise Funds	2,157	482,881	485,038
Internal Service Funds		55,633	55,633
<b>Fiduciary:</b>			
Expendable Trust Funds		18,076	18,076
Total (Memorandum Only)	<u>\$12,360</u>	<u>\$9,155,785</u>	<u>\$9,168,145</u>

*The notes to the financial statements are an integral part of this statement.*

<u>Actual 2003 Disbursements</u>	<u>Encumbrances Outstanding At 6/30/04</u>	<u>Total</u>	<u>Variance Favorable/ (Unfavorable)</u>
\$7,144,334	\$3,035	\$7,147,369	\$369,709
514,652	11,087	525,739	87,581
298,052		298,052	948
70,635	357	70,992	109,008
476,752	113	476,865	8,173
55,413		55,413	220
<u>18,026</u>	<u></u>	<u>18,026</u>	<u>50</u>
<u><u>\$8,577,864</u></u>	<u><u>\$14,592</u></u>	<u><u>\$8,592,456</u></u>	<u><u>\$575,689</u></u>

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**CRESTVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Crestview Local School District (the "District") is organized under Article VI, Section 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and/or federal guidelines.

The District is located in a prosperous community within Van Wert County, consisting of residences and significant office and retail commercial development. The District is staffed by 46 non-certificated employees, 74 certificated employees who provide services to 1,065 students and other community members.

**Reporting Entity**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

The School District is associated with five organizations which are defined as jointly governed organizations, and insurance purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, Vantage Career Center, Van Wert Area Schools Consortium Local Professional Development Committee, Van Wert School Insurance Group, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 9 and 10 of the financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the District chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State. This comprehensive 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 expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as formerly prescribed or permitted for school districts by the Auditor of State.

**CRESTVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Fund Accounting**

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**1. Governmental Fund Types**

**General Fund** - The general fund is the general operating fund of the District. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

**Special Revenue Funds** - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to disbursements for specified purposes.

**Debt Service Funds** - The debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds.

**Capital Projects Funds** - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary or trust funds).

**2. Proprietary Fund Types**

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following is the District's proprietary fund types:

**Enterprise Funds** - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Internal Service Funds** - The 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 governmental unit, or to other governmental units, on a cost-reimbursement basis.

**3. Fiduciary Fund Type**

**Fiduciary Funds** - are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust, non-expendable trust, and agency funds.

**CRESTVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgetary Process**

**1. Budget**

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following fiscal year.

**2. Estimated Resources**

The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1 this certificate is amended to include any unencumbered balances from the preceding fiscal year. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2003 unencumbered fund balances. However, those fund balances are available for appropriations.

**3. Appropriations**

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**4. Encumbrances**

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. 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 appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**D. Cash and Investments**

To improve cash management, all cash received by the District Treasurer is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through District accounting records.

Investments are stated at cost which approximates market value. Investment earnings are allocated as authorized by State statute based upon District policy.

**CRESTVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Unpaid Vacation and Sick Leave**

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

**F. Property, Plant and Equipment**

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

**G. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**3. DEPOSITS AND INVESTMENTS**

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

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

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

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

Protection of the 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 moneys deposited with the institution.

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

1. United States treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal or interest by the United States;



**CRESTVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

2. Bonds, notes debentures or any other obligations or security 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; and
6. The State Treasurer's investment pool (STAR Ohio)
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

As of June 30, 2004, the District had \$1,600 in undeposited cash on hand which is included in the fund balance.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements".

**Deposits:** At June 30, 2004, the carrying amount of the District's deposits was \$2,164,225 and the bank balance was \$2,312,052. Of the bank balance, \$300,000 was covered by federal depository insurance and \$2,012,052 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

**CRESTVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**4. PROPERTY TAX**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes.

Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Van Wert County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2004 taxes were collected are:

	<b>2003 Second-Half Collections</b>		<b>2004 First-Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Real Property				
Residential/Agricultural & Commercial/Industrial Public Utilities	\$60,231,330	90.28%	\$61,098,670	87.67%
Tangible Personal Property				
General	2,048,271	3.07	1,974,450	2.83
Public Utilities	4,390,530	6.58	6,573,540	9.43
Total Valuation	<u>\$66,718,381</u>	<u>100.00%</u>	<u>\$69,696,690</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$47.70		\$47.70	

**CRESTVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**5. DEBT OBLIGATIONS**

**General Obligation Bonds** - On July 1, 1993, the District issued bonds to refund \$2,600,000 School Improvement Bonds dated December 1, 1988 which were outstanding in the principal amount of \$2,360,000 issued pursuant to a vote of the electors of the District at an election held on November 4, 1986 and \$655,000 School Improvement Bonds dated October 1, 1991 which were outstanding in the principal amount of \$640,000 issued pursuant to a vote of the electors of the District at an election held on May 8, 1990. The Board issue included current interest bonds and capital appreciation bonds in the amount of \$2,790,000 and \$209,832, respectively. The current interest bonds bear an interest rate of 2.75% to 5.30% and the capital appreciation bonds bear an interest rate of 5.70% to 5.85%.

The capital appreciation bonds will mature in fiscal years 2007 through 2014. The maturity amounts of the bonds are \$295,000 for fiscal year 2007, \$290,000 for fiscal year 2008, \$295,000 for fiscal year 2009, \$295,000 for fiscal year 2010, \$295,000 for fiscal year 2011, \$50,000 for fiscal year 2012, \$50,000 for fiscal year 2013, \$50,000 for fiscal year 2014. Capital appreciation bonds are not subject to redemption prior to maturity.

As of June 30, 2004, the principal outstanding for the general obligation current interest bonds is \$550,000. The annual requirements to amortize these bonds outstanding as of June 30, 2004, including interest payments of \$29,548 are as follows:

<b>Fiscal Year Ending June 30</b>	<b>General Obligation Bonds</b>
2005	286,995
2006	292,553
Total	<u>\$579,548</u>

**6. RISK MANAGEMENT**

**A. Public Liability**

The District is exposed to various risks related to torts, theft of, damage to, and destruction of assets, error and omissions, injuries to employees and natural disasters. During fiscal year 2004, the District carried property and general liability insurance and boiler and machinery insurance. Professional liability is protected with \$2,000,000 each occurrence, \$4,000,000 in annual aggregate limit.

Vehicles are also covered by Selective Insurance Company. Automobile liability has a \$2,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years. In addition, there is a \$2,000,000 excess liability policy which provides additional liability coverage to both the general liability policy and the auto policy.

The Treasurer's position bond is provided by Travelers Casualty and Surety Company and the Board Members' and Superintendent's bond is provided by the Nationwide Agribusiness Insurance Company.

**CRESTVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

**B. Health Care Benefits**

The District participates in the Van Wert Area School Insurance Group, a public entity shared risk pool consisting of five members. (See Note 10.) Each member pays premiums to VWASIG for employee medical, dental, and life insurance benefits to the employees of the participants. VWASIG is responsible for the management and operation of the program. Upon withdrawal, the District is responsible for the payment of all the VWASIG liabilities to its employees, dependants, and designated beneficiaries accruing as a result of the withdrawal. Upon termination of VWASIG, all member's claims would be paid without regard to the member's account balance.

**C. Workers' Compensation**

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control, and actuarial services to the Plan.

**7. PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$85,462, \$47,693 and \$33,131 respectively; equal to the required contributions for each year.

**CRESTVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**7. PENSION PLANS (Continued)**

**B. State Teachers Retirement System**

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

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

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 9.3 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$488,152, \$335,146, and \$303,445 respectively; equal to the required contributions for each year. Contributions to the DC and Combined Plans for fiscal year 2004 were \$ 55 made by the School District and \$6,565 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. The Board's liability is 6.2 percent of wages paid.

**CRESTVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**8. POST RETIREMENT BENEFITS**

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

For State Teachers Retirement Board has statutory over how much, if any of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the year ended June 30, 2004, the board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount was \$37,550.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.8 billion at June 30, 2003. For the fiscal year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000, and STRS had 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

At June 30, 2004 the employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. For the District the amount to fund health care equaled \$142,217 during the 2004 fiscal year.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expense. Expenses for health care at June 30, 2003, were \$204,930,737, and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**9. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Area Computer Services Cooperative**

The Northwest Ohio Area Computer Services Cooperative (NOACSC) is a jointly governed organization among forty-seven school districts. The jointly governed organization 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 of the governments of these schools supports NOACSC based upon a per pupil charge dependent upon the software package utilized.

The NOACSC Assembly consists of a representative from each participating school district and the superintendent from the fiscal agent. The Board of Directors consists of the superintendent from the fiscal agent, the two Assembly members from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation of the Board. Financial information can be obtained by contacting Michael Wildermuth, who serves as Director, at 645 South Main Street, Lima, Ohio 45804.

**CRESTVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**9. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**B. Vantage Career Center**

The Vantage Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Vantage Career Center at 818 North Franklin Street, Van Wert, Ohio 45891.

**C. Van Wert Area Schools Consortium Local Professional Development Committee**

The School District is a participant in the Van Wert Area Schools Consortium Local Professional Development Committee (the Committee) which is a regional council of governments established to provide professional educator license renewal standards and procedures. The Committee is governed by a board made up of one teacher from Crestview Local School District, one teacher from Lincolnview Local School District, two teachers from Van Wert City School District, three teachers from Vantage Joint Vocational School District, two teachers collectively from the Western Buckeye Educational Service Center and the Thomas Edison MRDD, and one principal from the schools of the Consortium with terms of three years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Van Wert City School District, 641 North Jefferson Street, Van Wert.

**10. GROUP INSURANCE PURCHASING POOL**

**A. Ohio School Boards Association Workers' Compensation Group Rating Plan**

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the plan.

**B. Van Wert Area School Insurance Group (VWASIG)**

The District is a member of the Van Wert Area School Insurance Group (VWASIG) a cooperative group of Van Wert County Schools established to provide a self-insurance fund to provide life insurance and pay medical/surgical, prescription drug, and dental benefits of employees and their covered dependents. The medical insurance program operates under the control of a Board of Trustees representing the member schools and is administered by Calends Inc. of Fort Wayne, Indiana. The fiscal records of the pool are maintained and kept by the Van Wert City School District.

**CRESTVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**11. STATUTORY RESERVES**

The School is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. For fiscal year ended June 30, 2004, the reserve activity was as follows:

	<b>Textbooks</b>	<b>Capital Acquisitions</b>
Set-Aside Cash Balance as of June 30, 2003	\$0	\$0
Carryover	(139,456)	0
Required Set-Aside	150,654	150,654
Qualifying Expenditures	(132,145)	(205,857)
Excess Expenditures Available for Carry-over to Subsequent Year	\$(120,947)	\$ 0

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero, these extra amounts for textbooks only may be used to reduce the set-aside requirements of future years.

**12. CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2004.

**B. Litigation**

The District is of the opinion that any current or future claims will either result in a favorable outcome or be covered by current insurance policies, so as not to materially affect the overall financial position of the District.

**C. State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..." The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.





## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Crestview Local School District  
Van Wert County  
531 East Tully Street  
Convoy, Ohio 45832

To the Board of Education:

We have audited the financial statements of Crestview Local School District (School District) as of and for the year ended June 30, 2004, and have issued our report thereon dated September 13, 2004, wherein we noted that the School District reports on the basis of accounting previously prescribed by the Auditor of State for financial reporting rather than generally accepted accounting principles which is now required. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated September 13, 2004.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted others matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated September 13, 2004.

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Crestview Local School District  
Van Wert County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

September 13, 2004

CRESTVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2004

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

FINDING NUMBER 2004-001

**Ohio Rev. Code Section 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

**Ohio Admin Code Section 117-2-03 (B)**, requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should prepare their financial statements in accordance with GAAP.

CRESTVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2003-001	ORC Sec. 117.38 – Filing in accordance with GAAP	No	See finding # 2004-001



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**CRESTVIEW LOCAL SCHOOL DISTRICT  
VAN WERT 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  
NOVEMBER 18, 2004**