

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

**BASIC FINANCIAL STATEMENTS
*(Audited)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2009***

JULIE SMITH, TREASURER



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Crestline Exempted Village School District, Crawford County, prepared by Rea & Associates, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 26, 2010

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

December 4, 2009

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crestline Exempted Village School District (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the District, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2009 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Rea & Associates, Inc.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The management's discussion and analysis of the Crestline Exempted Village School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- In total, net assets of governmental activities decreased \$257,900 which represents a 6.01% decrease from 2008.
- General revenues accounted for \$6,474,197 in revenue or 75.91% of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions and interest accounted for \$2,054,665 or 24.09% of total revenues of \$8,528,862.
- The District had \$8,786,762 in expenses related to governmental activities; \$2,054,665 of these expenses was offset by program specific charges for services, grants, contributions and interest. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,474,197 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$6,900,076 in revenues and other financing sources and \$6,898,791 in expenditures. During fiscal year 2009, the general fund's fund balance increased \$1,285 from \$2,240,823 to \$2,242,108.

Using these Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Proprietary Funds

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

Reporting the District's Fiduciary Responsibilities

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 24-49 of this report.

The District as a Whole

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

The table below provides a summary of the District's net assets for 2009 and 2008.

	Net Assets	
	Governmental Activities 2009	Governmental Activities 2008
<u>Assets</u>		
Current and other assets	\$ 5,520,612	\$ 5,631,787
Capital assets, net	<u>1,649,612</u>	<u>1,720,236</u>
Total assets	<u>7,170,224</u>	<u>7,352,023</u>
<u>Liabilities</u>		
Current liabilities	2,610,530	2,581,157
Long-term liabilities	<u>528,180</u>	<u>481,452</u>
Total liabilities	<u>3,138,710</u>	<u>3,062,609</u>
<u>Net assets</u>		
Invested in capital assets	1,649,612	1,720,236
Restricted	493,677	346,512
Unrestricted	<u>1,888,225</u>	<u>2,222,666</u>
Total net assets	<u>\$ 4,031,514</u>	<u>\$ 4,289,414</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by \$4,031,514. Of this total, \$1,888,225 is unrestricted in use.

At year-end, capital assets represented 23.01% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets at June 30, 2009, were \$1,649,612. These capital assets are used to provide services to the students and are not available for future spending.

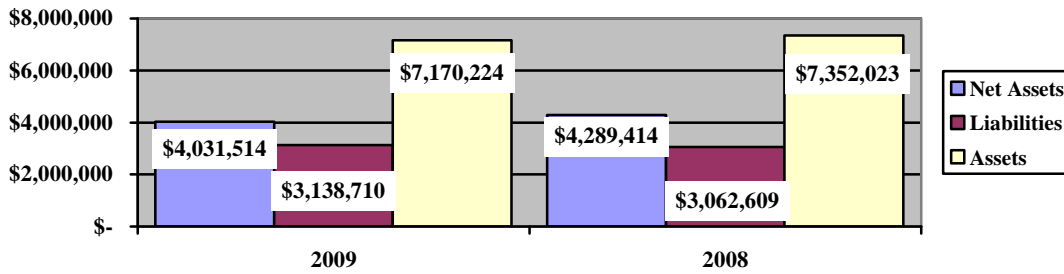
A portion of the District's net assets, \$493,677, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,888,225 may be used to meet the District's ongoing obligations to the students and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The table below provides a summary of the District's net assets for 2009 and 2008:

Governmental Activities



The table below shows the change in net assets for fiscal year 2009 and 2008.

Change in Net Assets

	Governmental Activities 2009	Governmental Activities 2008
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 405,095	\$ 463,413
Operating grants, contributions and interest	1,642,391	1,726,023
Capital grants and contributions	7,179	3,709
General revenues:		
Property taxes	2,236,439	2,728,642
Grants and entitlements	4,181,766	3,828,599
Investment earnings	32,182	99,067
Other	23,810	19,852
Total revenues	<u>8,528,862</u>	<u>8,869,305</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Change in Net Assets

	<u>Governmental Activities 2009</u>	<u>Governmental Activities 2008</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 3,574,872	\$ 3,384,153
Special	933,431	933,182
Vocational	30,109	3,579
Other	498,805	390,095
Support services:		
Pupil	448,129	373,680
Instructional staff	437,950	534,677
Board of education	39,065	26,229
Administration	772,800	775,812
Fiscal	258,481	274,400
Operations and maintenance	742,331	694,938
Pupil transportation	297,048	336,357
Central	29,202	41,084
Operations of non-instructional services:		
Food service operations	289,539	306,600
Other non-instructional services	44,756	74,428
Extracurricular activities	<u>390,244</u>	<u>386,988</u>
Total expenses	<u>8,786,762</u>	<u>8,536,202</u>
Change in net assets	(257,900)	333,103
Net assets at beginning of year	<u>4,289,414</u>	<u>3,956,311</u>
Net assets at end of year	<u>\$ 4,031,514</u>	<u>\$ 4,289,414</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$257,900. Total governmental expenses of \$8,786,762 were offset by program revenues of \$2,054,665 and general revenues of \$6,474,197. Program revenues supported 23.38% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 75.25% of total governmental revenue.

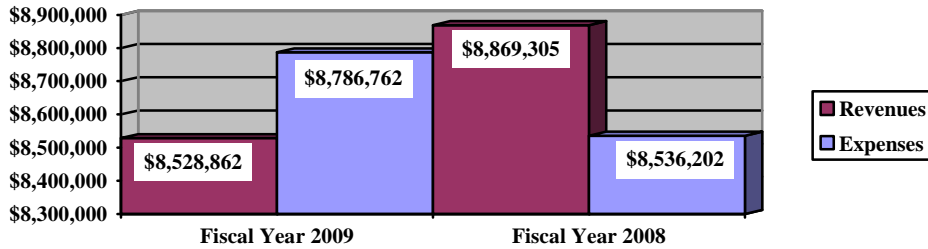
The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,037,217 or 57.33% of total governmental expenses for fiscal year 2009.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2009 and 2008.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Program expenses				
Instruction:				
Regular	\$ 3,574,872	\$ 3,099,298	\$ 3,384,153	\$ 2,827,000
Special	933,431	191,604	933,182	526,592
Vocational	30,109	28,176	3,579	984
Other	498,805	484,124	390,095	373,018
Support services:				
Pupil	448,129	378,442	373,680	302,738
Instructional staff	437,950	272,801	534,677	68,258
Board of education	39,065	39,065	26,229	26,229
Administration	772,800	685,301	775,812	654,554
Fiscal	258,481	253,481	274,400	269,556
Operations and maintenance	742,331	737,871	694,938	691,426
Pupil transportation	297,048	252,479	336,357	321,020
Central	29,202	19,116	41,084	11,576
Operations of non-instructional services:				
Food service operations	289,539	(5,860)	306,600	(21,626)
Other non-instructional services	44,756	(10,001)	74,428	7,685
Extracurricular activities	390,244	306,200	386,988	284,047
Total expenses	<u>\$ 8,786,762</u>	<u>\$ 6,732,097</u>	<u>\$ 8,536,202</u>	<u>\$ 6,343,057</u>

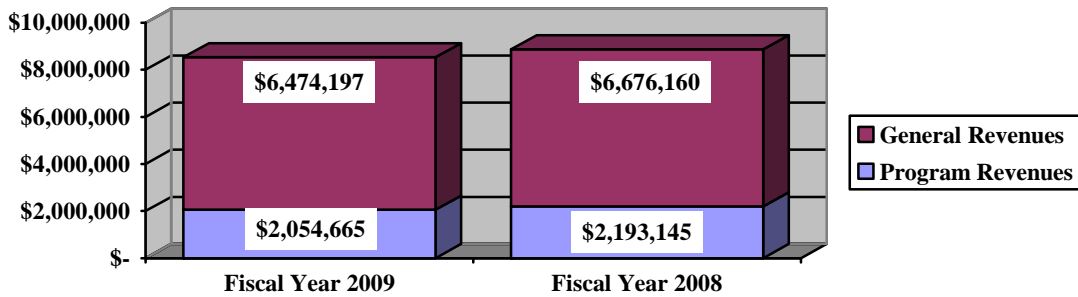
**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The dependence upon tax and other general revenues for governmental activities is apparent, 75.50% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 76.62%. The District's taxpayers and unrestricted grants and entitlements from the State are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2009 and 2008:

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$2,584,911, which is higher than last year's total of \$2,582,072. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance June 30, 2009	Fund Balance June 30, 2008	Increase	Percentage Change
General	\$ 2,242,108	\$ 2,240,823	\$ 1,285	0.06 %
Other governmental	342,803	341,249	1,554	0.46 %
Total	<u>\$ 2,584,911</u>	<u>\$ 2,582,072</u>	<u>\$ 2,839</u>	0.11 %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

General Fund

The District's general fund balance increased \$1,285. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 2,190,954	\$ 2,491,910	\$ (300,956)	(12.08) %
Tuition	187,478	229,546	(42,068)	(18.33) %
Earnings on investments	31,360	98,921	(67,561)	(68.30) %
Classroom materials and fees	-	319	(319)	(100.00) %
Intergovernmental	4,458,103	4,030,153	427,950	10.62 %
Other revenues	<u>23,906</u>	<u>25,953</u>	<u>(2,047)</u>	(7.89) %
Total	<u>\$ 6,891,801</u>	<u>\$ 6,876,802</u>	<u>\$ 14,999</u>	0.22 %
<u>Expenditures</u>				
Instruction	\$ 4,123,381	\$ 3,921,428	\$ 201,953	5.15 %
Support services	2,503,746	2,443,070	60,676	2.48 %
Extracurricular activities	246,687	237,779	8,908	3.75 %
Facilities acquisition and construction	<u>24,977</u>	<u>877</u>	<u>24,100</u>	2,748.00 %
Total	<u>\$ 6,898,791</u>	<u>\$ 6,603,154</u>	<u>\$ 295,637</u>	4.48 %

Total revenues of the general fund were virtually unchanged from the prior year, increasing by 0.22%. Expenditures increased slightly during the year primarily due to increases in the expenditures of instruction and support services activities. Tax revenue decreased from HB 66, which phases out the tax on tangible personal property of general businesses. Intergovernmental revenue in the general fund consists primarily of State Foundation receipts. The decrease in earnings on investments revenue is due to lower interest rates. Instruction and support services expenditures increased due to a slight increase in overall salaries and benefits. Facilities acquisition and construction expenditures increased in fiscal year 2009 as a result of more capital expenditures made for repairs and replacements.

General Fund Budgeting Highlights

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

During the course of fiscal year 2009, the District amended the general fund budget. For the general fund, original budgeted revenues and other financing sources were \$6,254,254 and final budgeted revenues and other financing sources were \$6,875,933. Actual revenues and other financing sources for fiscal year 2009 were \$6,874,452. This represents a \$1,481 decrease over final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) totaled \$6,972,235, which were decreased to \$6,834,705 in the final appropriations. The actual budget basis expenditures for fiscal year 2009 totaled \$6,834,705, which matches the final appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the District had \$1,649,612 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2009 balances compared to 2008:

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

	Governmental Activities	
	2009	2008
Land	\$ 138,210	\$ 138,210
Land improvements	333,075	314,109
Building and improvements	807,427	872,895
Furniture and equipment	178,281	242,062
Vehicles	192,619	152,960
Total	\$ 1,649,612	\$ 1,720,236

The overall decrease in capital assets of \$70,624 is due depreciation expense of \$151,679 and disposals of \$51,479 (net of accumulated depreciation) exceeding capital outlays of \$132,534.

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

Debt Administration

At June 30, 2009, the District had no debt obligations outstanding.

At June 30, 2009, the District's overall legal debt margin was \$6,368,954, and an unvoted debt margin of \$70,766.

See Note 10 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

Overall, the District is fiscally sound. However, it is a fact that school districts face many financial challenges. The first challenge is that although the District had the resources necessary to meet operating expenses in fiscal year 2009, primarily due to a freeze in the District insurance plan premiums for the year in addition to closely monitoring expenditures, it will be critical that the District's management continues to operate the District within its financial means, in order to avoid operating deficits. According to the District's five-year forecast, in fiscal year 2011 the District will experience an operating deficit if revenues do not increase. District management is currently evaluating revenue options and cuts in expenditures that will provide a balance for a financially stable District, students that are receiving the services they deserve and taxpayers that are willing to support the needs of both.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

In light of these events, the District will experience a financial blow due to the passage of House Bill 66. The phase-out of tangible personal property tax will prove to be detrimental to District revenues beginning in 2012 as the phase-out will no longer be reimbursed at the full percentage of loss. The tax shift, a shift from business taxpayers to residential taxpayers, is also feared to be a detriment at the ballot box. As the burden of local supports falls more on local residents, many campaigns for financial assistance are inevitable.

The Board of Education passed a 8.91 mill bond levy in May 2009 to support the District's participation with the Ohio School Facilities Commission on a project for a PK-12 facility that will be 60% funded by the State of Ohio and 40% funded by local taxpayers. The total co-funded project is estimated at a cost of \$24,783,997. Additionally, in May 2009 the board passed a 0.25% earned income tax to support Locally Funded Initiatives (LFI) within the building project in the amount of \$4,275,266, to increase the total project cost to an estimated \$29,059,263. Of the total project cost, \$14,870,846 will be funded by the State of Ohio and \$14,188,417 will be funded by local taxpayers. The project is currently in design phases and is estimated to be bid upon in the fall of 2010.

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

Contacting the District's Financial Management

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

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2009

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents . . .	\$ 2,736,661
Receivables:	
Taxes	2,680,905
Accounts	100
Intergovernmental	68,730
Prepayments	30,436
Materials and supplies inventory	3,780
Capital assets:	
Land	138,210
Depreciable capital assets, net	1,511,402
Capital assets, net	<u>1,649,612</u>
 Total assets.	 <u>7,170,224</u>
Liabilities:	
Accounts payable.	25,977
Accrued wages and benefits	732,368
Pension obligation payable.	194,389
Intergovernmental payable	47,597
Unearned revenue	1,538,702
Claims payable.	71,497
Long-term liabilities:	
Due within one year.	106,916
Due in more than one year	421,264
 Total liabilities	 <u>3,138,710</u>
Net assets:	
Invested in capital assets	1,649,612
Restricted for:	
Capital projects	179,830
Locally funded programs	1,843
State funded programs	29,096
Federally funded programs	30,926
Student activities	49,627
Other purposes	202,355
Unrestricted.	<u>1,888,225</u>
 Total net assets	 <u>\$ 4,031,514</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

		Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	
Governmental activities:						
Instruction:						
Regular	\$ 3,574,872	\$ 235,675	\$ 239,899	\$ -		\$ (3,099,298)
Special	933,431	10,672	731,155	-		(191,604)
Vocational	30,109	-	1,933	-		(28,176)
Other	498,805	-	14,681	-		(484,124)
Support services:						
Pupil	448,129	-	69,687	-		(378,442)
Instructional staff	437,950	6,890	158,259	-		(272,801)
Board of education	39,065	-	-	-		(39,065)
Administration	772,800	-	87,499	-		(685,301)
Fiscal	258,481	-	5,000	-		(253,481)
Operations and maintenance	742,331	1,995	2,465	-		(737,871)
Pupil transportation	297,048	53	37,337	7,179		(252,479)
Central	29,202	-	10,086	-		(19,116)
Operation of non-instructional services:						
Food service operations	289,539	77,067	218,332	-		5,860
Other non-instructional services	44,756	10,107	44,650	-		10,001
Extracurricular activities	390,244	62,636	21,408	-		(306,200)
Total governmental activities	\$ 8,786,762	\$ 405,095	\$ 1,642,391	\$ 7,179		(6,732,097)
General revenues:						
Property taxes levied for:						
General purposes						2,122,559
Capital projects						113,880
Grants and entitlements not restricted to specific programs						4,181,766
Investment earnings						32,182
Miscellaneous						23,810
Total general revenues						6,474,197
Change in net assets						(257,900)
Net assets at beginning of year						4,289,414
Net assets at end of year						\$ 4,031,514

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 2,185,028	\$ 501,422	\$ 2,686,450
Receivables:			
Taxes	2,542,270	138,635	2,680,905
Accounts	-	100	100
Intergovernmental	-	68,730	68,730
Interfund receivable	19,052	-	19,052
Prepayments	30,326	110	30,436
Materials and supplies inventory	-	3,780	3,780
Due from other funds	53,225	-	53,225
Restricted assets:			
Equity in pooled cash and cash equivalents	50,211	-	50,211
Total assets	<u>\$ 4,880,112</u>	<u>\$ 712,777</u>	<u>\$ 5,592,889</u>
Liabilities:			
Accounts payable	\$ 19,137	\$ 6,840	\$ 25,977
Accrued wages and benefits	570,016	162,352	732,368
Compensated absences payable	91,497	-	91,497
Pension obligation payable	143,059	51,330	194,389
Intergovernmental payable	40,489	7,108	47,597
Interfund payable	-	19,052	19,052
Deferred revenue	314,746	43,650	358,396
Unearned revenue	1,459,060	79,642	1,538,702
Total liabilities	<u>2,638,004</u>	<u>369,974</u>	<u>3,007,978</u>
Fund balances:			
Reserved for encumbrances	14,710	40,908	55,618
Reserved for materials and supplies inventory	-	3,780	3,780
Reserved for prepayments	30,326	110	30,436
Reserved for property tax unavailable for appropriation	768,464	42,287	810,751
Reserved for BWC refunds	35,920	-	35,920
Reserved for school bus purchase	14,291	-	14,291
Unreserved, undesignated, reported in:			
General fund	1,378,397	-	1,378,397
Special revenue funds	-	134,881	134,881
Capital projects funds	-	120,837	120,837
Total fund balances	<u>2,242,108</u>	<u>342,803</u>	<u>2,584,911</u>
Total liabilities and fund balances	<u>\$ 4,880,112</u>	<u>\$ 712,777</u>	<u>\$ 5,592,889</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2009

Total governmental fund balances		\$	2,584,911
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			1,649,612
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	331,452	
Intergovernmental receivable		26,944	
Total		358,396	358,396
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.			(124,722)
Long-term liabilities (compensated absences) are not due and payable in the current period and therefore are not reported in the funds.			(436,683)
Net assets of governmental activities		\$	4,031,514

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 2,190,954	\$ 119,048	\$ 2,310,002
Tuition	187,478	19,814	207,292
Charges for services	-	77,067	77,067
Earnings on investments	31,360	761	32,121
Classroom materials and fees	-	28,107	28,107
Extracurricular	-	73,773	73,773
Other local revenues	23,906	34,400	58,306
Intergovernmental - State	4,458,103	425,360	4,883,463
Intergovernmental - Federal	-	896,253	896,253
Total revenue	<u>6,891,801</u>	<u>1,674,583</u>	<u>8,566,384</u>
Expenditures:			
Current:			
Instruction:			
Regular	3,145,852	294,019	3,439,871
Special	483,696	426,608	910,304
Vocational	29,694	-	29,694
Other	464,139	15,792	479,931
Support services:			
Pupil	353,921	81,357	435,278
Instructional staff	253,039	174,321	427,360
Board of education	38,838	-	38,838
Administration	655,546	99,928	755,474
Fiscal	248,786	7,692	256,478
Operations and maintenance	679,490	3,326	682,816
Pupil transportation	255,924	92,966	348,890
Central	18,202	11,000	29,202
Operation of non-instructional services:			
Food service operations	-	277,495	277,495
Other non-instructional services	-	44,756	44,756
Extracurricular activities	246,687	89,141	335,828
Facilities acquisition and construction	24,977	54,628	79,605
Total expenditures	<u>6,898,791</u>	<u>1,673,029</u>	<u>8,571,820</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,990)</u>	<u>1,554</u>	<u>(5,436)</u>
Other financing sources:			
Sale of assets	8,275	-	8,275
Total other financing sources	<u>8,275</u>	<u>-</u>	<u>8,275</u>
Net change in fund balances	1,285	1,554	2,839
Fund balances at beginning of year	<u>2,240,823</u>	<u>341,249</u>	<u>2,582,072</u>
Fund balances at end of year	<u>\$ 2,242,108</u>	<u>\$ 342,803</u>	<u>\$ 2,584,911</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds

<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	\$	2,839
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.</p>		
Capital asset additions	\$ 132,534	
Current year depreciation	<u>(151,679)</u>	
Total		(19,145)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.</p>		
		(51,479)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Taxes	(73,563)	
Intergovernmental	<u>26,944</u>	
Total		(46,619)
<p>Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		42,659
<p>The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.</p>		
		<u>(186,155)</u>
Change in net assets of governmental activities	\$	<u>(257,900)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 2,026,562	\$ 2,228,004	\$ 2,227,524	\$ (480)
Tuition.	170,564	187,518	187,478	(40)
Earnings on investments.	28,531	31,367	31,360	(7)
Other local revenues	21,749	23,911	23,906	(5)
Intergovernmental - State	3,965,799	4,360,003	4,359,064	(939)
Total revenue	<u>6,213,205</u>	<u>6,830,803</u>	<u>6,829,332</u>	<u>(1,471)</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,129,142	3,067,418	3,067,418	-
Special.	488,505	478,869	478,869	-
Vocational.	30,292	29,694	29,694	-
Other.	473,471	464,132	464,132	-
Support services:				
Pupil.	347,974	341,110	341,110	-
Instructional staff	262,778	257,595	257,595	-
Board of education	39,795	39,010	39,010	-
Administration.	664,125	651,025	651,025	-
Fiscal	250,577	245,634	245,634	-
Operations and maintenance.	689,824	676,217	676,217	-
Pupil transportation	278,013	272,529	272,529	-
Central.	23,208	22,750	22,750	-
Extracurricular activities.	250,807	245,860	245,860	-
Facilities acquisition and construction.	24,289	23,810	23,810	-
Total expenditures	<u>6,952,800</u>	<u>6,815,653</u>	<u>6,815,653</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(739,595)</u>	<u>15,150</u>	<u>13,679</u>	<u>(1,471)</u>
Other financing sources (uses):				
Refund of prior year expenditures	33,521	36,853	36,845	(8)
Advances (out)	(19,435)	(19,052)	(19,052)	-
Sale of assets.	7,528	8,277	8,275	(2)
Total other financing sources (uses)	<u>(11,907)</u>	<u>26,078</u>	<u>26,068</u>	<u>(10)</u>
Net change in fund balance	(751,502)	41,228	39,747	(1,481)
Fund balances at beginning of year	2,181,900	2,181,900	2,181,900	-
Prior year encumbrances appropriated	42,441	42,441	42,441	-
Fund balance at end of year	<u>\$ 1,472,839</u>	<u>\$ 2,265,569</u>	<u>\$ 2,264,088</u>	<u>\$ (1,481)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

	Governmental Activities - Internal Service Fund
Liabilities:	
Claims payable	\$ 71,497
Due to other funds	53,225
Total liabilities	124,722
Net assets:	
Unrestricted (deficit)	(124,722)
Total net assets (deficit)	\$ (124,722)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services	\$ 675,174
Total operating revenues	<u>675,174</u>
Operating expenses:	
Purchased services	161,662
Claims.	<u>700,489</u>
Total operating expenses	<u>862,151</u>
Operating loss.	<u>(186,977)</u>
Nonoperating revenues:	
Interest revenue.	<u>822</u>
Total nonoperating revenues	<u>822</u>
Change in net assets.	(186,155)
Net assets at beginning of year	<u>61,433</u>
Net assets (deficit) at end of year	<u><u>\$ (124,722)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services	\$ 675,174
Cash payments for purchased services	(161,662)
Cash payments for claims.	(740,295)
Net cash used in operating activities	(226,783)
Cash flows from noncapital financing activities:	
Cash received from other funds	53,225
Net cash provided by noncapital financing activities	53,225
Cash flows from investing activities:	
Interest received.	822
Net cash provided by investing activities	822
Net decrease in cash and cash equivalents	(172,736)
Cash and cash equivalents at beginning of year. . .	172,736
Cash and cash equivalents at end of year	\$ -
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (186,977)
Changes in assets and liabilities:	
Decrease in claims payable	(39,806)
Net cash used in operating activities.	\$ (226,783)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2009

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 33,659
Total assets.	<u>\$ 33,659</u>
Liabilities:	
Due to students	\$ 33,659
Total liabilities	<u>\$ 33,659</u>

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, 2009**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District ranks as the 555th largest by enrollment among the 922 public and community school districts in the State. The District operates under a locally-elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by State and/or federal agencies. This Board controls the District's 5 instructional/support facilities staffed by 48 classified and 66 certified full and part-time teaching personnel who provide services to 729 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

JOINTLY GOVERNED ORGANIZATIONS

Heartland Council of Governments/North Central Ohio Computer Cooperative (the "COG")

The COG is a jointly governed organization among 16 school districts, 1 educational service center and a career center. The COG is an association of public school districts within the boundaries of Ashland, Crawford, Huron, Marion, Morrow, Richland, Seneca, and Wyandot counties. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each member school district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Cooperative Assembly consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Cooperative Assembly. During fiscal year 2009, the District paid \$116,770 to the COG for various services. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

INSURANCE PURCHASING POOL

Ohio Mid-Eastern Regional Educational Services Agency

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

RELATED ENTITY

Crestline Public Library (the "Library")

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

B. Fund Accounting

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

GOVERNMENTAL FUNDS

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

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

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

PROPRIETARY FUND

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

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

D. Basis of Accounting

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

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2009 are recorded as deferred revenue in the governmental fund financial statements.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

E. Budgets

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

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased tax rates). By no later than January 20, the Board-adopted budget is filed with Crawford County Budget Commission for rate determination. The Crawford County Budget Commission waived the tax budget filing requirement for the fiscal year 2009.

Estimated Resources:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

Appropriations:

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

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

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

F. Cash and Investments

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

During fiscal year 2009, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), non-negotiable certificates of deposit and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2009. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2009.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$31,360 which includes \$6,138 assigned from other funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

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

G. Inventory

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

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

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

H. Capital Assets

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

I. Interfund Balances

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

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2009, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and all employees with at least 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2009, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

L. Fund Balance Reserves

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

M. Net Assets

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

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

N. Prepayments

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

O. Estimates

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

P. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by State statute. See Note 16 for details.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

Q. Interfund Activity

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

R. Parochial Schools

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2009.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the District.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2009 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Public school preschool	\$ 36,474
Ohio reads	3,532
Poverty aid	7,957
Title VI-B	41,916
Preschool	931
Improving teacher quality	12,050
 <u>Proprietary fund</u>	
Employee benefits self-insurance	124,722

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

A. Cash on Hand

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Cash with Fiscal Agent

At June 30, 2009, the District had a negative cash balance with Ohio Mid-Eastern Regional Education Service Agency. To eliminate this negative balance, the general fund loaned the internal service fund \$53,225. This amount has been included in the proprietary fund statement of net assets as “due to other funds”.

C. Deposits with Financial Institutions

At June 30, 2009, the carrying amount of all District deposits was \$1,578,415 exclusive of the \$680,000 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2009, \$100,077 of the District’s bank balance of \$1,648,391 was exposed to custodial risk as discussed below, while \$1,548,314 was covered by the FDIC.

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

D. Investments

As of June 30, 2009, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase agreement	\$ 680,000	\$ 680,000
STAR Ohio	<u>511,855</u>	<u>511,855</u>
Total	<u>\$ 1,191,855</u>	<u>\$ 1,191,855</u>

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

Credit Risk: The District’s investment in the federal agency securities that underlie the repurchase agreement were rated AAA and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. Standard & Poor’s has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District's \$680,000 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
Repurchase agreement	\$ 680,000	57.05
STAR Ohio	511,855	42.95
Total	\$ 1,191,855	100.00

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,578,415
Investments	1,191,855
Cash on hand	50
Total	\$ 2,770,320
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 2,736,661
Agency fund	33,659
Total	\$ 2,770,320

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2009 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 19,052

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

- B.** Interfund balances consisted of the following due to/from other funds at June 30, 2009, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Employee benefits self-insurance internal service fund	<u>\$ 53,225</u>

The purpose of the due to/from other funds is to cover the negative cash balance in the District's self-insurance fund. The general fund is liable for covering a cash deficit. Due to/from other funds between funds are eliminated on the government-wide financial statements. All amounts are to be repaid within one year.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Crawford and Richland Counties. 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, 2009, are available to finance fiscal year 2009 operations. The amount available as an advance at June 30, 2009 was \$768,464 in the general fund and \$42,287 in the permanent improvement fund (a nonmajor governmental fund). These amounts are recorded as revenue. The amount available for advance at June 30, 2008 was \$803,332 in the general fund and \$45,516 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 53,866,640	71.32	\$ 54,787,770	73.92
Commercial/industrial real estat	13,242,040	17.53	12,521,170	16.89
Public utility personal	3,940,230	5.22	3,763,780	5.08
Tangible personal property	<u>4,476,040</u>	<u>5.93</u>	<u>3,047,160</u>	<u>4.11</u>
Total	<u>\$ 75,524,950</u>	<u>100.00</u>	<u>\$ 74,119,880</u>	<u>100.00</u>

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

Operations	\$60.17	\$60.81
Permanent improvements	3.00	3.00

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 7 - RECEIVABLES

Receivables at June 30, 2009 consisted of taxes, accounts and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the items of receivables reported on the statement of net assets follows:

Governmental activities:

Taxes	\$ 2,680,905
Accounts	100
Intergovernmental	<u>68,730</u>
Total	<u>\$ 2,749,735</u>

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

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 138,210	\$ -	\$ -	\$ 138,210
Total capital assets, not being depreciated	<u>138,210</u>	<u>-</u>	<u>-</u>	<u>138,210</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	933,511	47,396	-	980,907
Buildings and improvements	3,685,349	-	-	3,685,349
Furniture and equipment	1,790,298	12,547	(322,585)	1,480,260
Vehicles	<u>367,167</u>	<u>72,591</u>	<u>(13,500)</u>	<u>426,258</u>
Total capital assets, being depreciated	<u>6,776,325</u>	<u>132,534</u>	<u>(336,085)</u>	<u>6,572,774</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(619,402)	(28,430)	-	(647,832)
Buildings and improvements	(2,812,454)	(65,468)	-	(2,877,922)
Furniture and equipment	(1,548,236)	(26,958)	273,215	(1,301,979)
Vehicles	<u>(214,207)</u>	<u>(30,823)</u>	<u>11,391</u>	<u>(233,639)</u>
Total accumulated depreciation	<u>(5,194,299)</u>	<u>(151,679)</u>	<u>284,606</u>	<u>(5,061,372)</u>
Total capital assets, being depreciated, net	<u>1,582,026</u>	<u>(19,145)</u>	<u>(51,479)</u>	<u>1,511,402</u>
Governmental activities capital assets, net	<u>\$ 1,720,236</u>	<u>\$ (19,145)</u>	<u>\$ (51,479)</u>	<u>\$ 1,649,612</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 8 - CAPITAL ASSETS

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 65,387
<u>Support services:</u>	
Pupil	151
Board of education	227
Administration	4,513
Fiscal	1,816
Operations and maintenance	33,212
Pupil transportation	8,748
Extracurricular activities	36,926
Food service operations	<u>699</u>
Total depreciation expense	<u>\$ 151,679</u>

NOTE 9 - COMPENSATED ABSENCES

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

NOTE 10 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2009, the following changes occurred in governmental activities long-term obligations:

	<u>Balance</u> <u>06/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/09</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Governmental activities:					
Compensated absences	\$ 481,452	\$ 64,171	\$ (17,443)	\$ 528,180	\$ 106,916
Total long-term obligations, governmental activities	<u>\$ 481,452</u>	<u>\$ 64,171</u>	<u>\$ (17,443)</u>	<u>\$ 528,180</u>	<u>\$ 106,916</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 10 - LONG-TERM OBLIGATIONS

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2009, are a voted debt margin of \$6,368,954 and an unvoted debt margin of \$70,766.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2009, the District retained property insurance coverage, boiler and machinery coverage, and inland marine floaters in the blanket amount of \$29,547,285 with 100% coinsurance, replacement cost endorsement and a \$1,000 deductible. Vehicles are covered by Auto-Owners Insurance Company and hold a \$250 deductible for comprehensive and a \$500 deductible for collision. Automobile liability has a \$1,000,000 limit of liability for bodily injury per person, per occurrence, and property damage.

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

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

B. Employee Dishonesty Bonds

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 11 - RISK MANAGEMENT - (Continued)

C. Life Insurance

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

Superintendent	\$40,000
Treasurer	58,000
High School Principal	74,000
Middle School Principal	66,000
Elementary Principal	66,000

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

D. Employee Group Medical and Dental Insurance

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

The claims liability of \$71,497 reported in the internal service fund at June 30, 2009 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2009	\$ 111,303	\$ 700,489	\$ (740,295)	\$ 71,497
2008	-	416,418	(305,115)	111,303

E. Workers' Compensation

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$94,948, \$93,309 and \$104,061, respectively; 45.59 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 12 - PENSION PLANS - (Continued)

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

Funding Policy - For fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$429,624, \$417,739 and \$391,865, respectively; 81.50 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$8,197 made by the District and \$12,779 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2009, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. 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.

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 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$63,597, \$61,911 and \$51,747, respectively; 45.59 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$7,834, \$6,723 and \$7,076, respectively; 45.59 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$33,048, \$32,134 and \$30,143, respectively; 81.50 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing sources are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis); and,

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 39,747
Net adjustment for revenue accruals	62,469
Net adjustment for expenditure accruals	(107,514)
Net adjustment for other sources/uses	(17,793)
Adjustment for encumbrances	24,376
GAAP basis	\$ 1,285

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 16 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2009, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Reserve</u>
Set-aside balance as of June 30, 2008	\$ (647,961)	\$ (199,403)	\$ 35,920
Current year set-aside requirement	114,409	114,409	-
Current year offsets	-	(122,362)	-
Qualifying disbursements	<u>(75,832)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ (609,384)</u>	<u>\$ (207,356)</u>	<u>\$ 35,920</u>
Balance carried forward to fiscal year 2010	<u>\$ (609,384)</u>	<u>\$ (199,403)</u>	<u>\$ 35,920</u>

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero in the textbooks and capital acquisition reserves, these extra amounts may be used to reduce the set-aside requirements of future years for textbooks, but not the capital acquisition set-aside.

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

A schedule of the restricted assets at June 30, 2009 follows:

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

Crestline Exempted Village School District

* * * *

Report Letters

June 30, 2009

CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT

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December 4, 2009

To the Board of Education
Crestline Exempted Village School District
Crawford County, Ohio
511 S. Thoman St.
Crestline, OH 44827

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

We have audited the accompanying financial statements of the governmental activities, its major fund and the aggregate remaining fund information of the Crestline Exempted Village School District (the District) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 4, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Crestline Exempted Village School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

We noted certain other matters that we reported to the District's management in a separate letter dated December 4, 2009.

Compliance and Other Matters

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

We did note certain non-compliance matters that we reported to the School District's management in a separate letter dated December 4, 2009.

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

Rea & Associates, Inc.



December 4, 2009

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of the Crestline Exempted Village 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 are applicable to its major federal program for the year ended June 30, 2009. Crestline Exempted Village School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Crestline Exempted Village School District's management. Our responsibility is to express an opinion on Crestline Exempted Village 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 Circulars A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Crestline Exempted Village School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Crestline Exempted Village School District's compliance with those requirements.

In our opinion, Crestline Exempted Village School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Crestline Exempted Village School District as of and for the year ended June 30, 2009, and have issued our report thereon dated December 4, 2009. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements of Crestline Exempted Village School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Hea & Associates, Inc.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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):				
Title I	84.010	2008	\$ 2,133	\$ 15,390
Title I	84.010	2009	201,021	158,413
Total Title I			203,154	173,803
<i>Special Education Cluster:</i>				
Special Education_Grants to States	84.027	2008	44,171	54,974
Special Education_Grants to States	84.027	2009	189,740	186,669
Total Special Education_Grants to States			233,911	241,643
Special Education_Preschool Grants	84.173	2008	952	1,173
Special Education_Preschool Grants	84.173	2009	4,285	4,285
Special Education_Preschool Grants	84.173	2009	2,986	2,915
Total Special Education_Preschool Grants			8,223	8,373
<i>Total Special Education Cluster</i>			242,134	250,016
Safe and Drug-Free Schools and Communities	84.186	2009	2,815	0
Total Safe and Drug-Free Schools and Communities			2,815	0
Twenty-First Century Community Learning Centers	84.287	2008	29,957	64,347
Twenty-First Century Community Learning Centers	84.287	2009	188,359	183,566
Total Twenty-First Century Community Learning Centers			218,316	247,913
Title V	84.298	2008	0	740
Title V	84.298	2009	625	0
Total Title V			625	740
Title II-D	84.318	2009	2,135	1,448
Total Title II-D			2,135	1,448
Title I CSR	84.332	2008	0	5,429
Total Title I CSR			0	5,429
Title II-A	84.367	2009	57,230	57,230
Total Title II-A			57,230	57,230
Total Department of Education			726,409	736,579
U. S. Department of Agriculture (Passed Through Ohio Department of Education):				
<i>Nutrition Cluster</i>				
School Breakfast Program	(B) 10.553	2009	42,570	42,570
Total School Breakfast Program			42,570	42,570
Non-Cash Assistance:				
National School Lunch Program	(A) 10.555	2009	18,009	18,009
Cash Assistance:				
National School Lunch Program	(B) 10.555	2009	153,018	153,018
Total National School Lunch Program			171,027	171,027
<i>Total Nutrition Cluster</i>			213,597	213,597
Child and Adult Care Food Program	10.558	2008	495	495
Child and Adult Care Food Program	10.558	2009	2,841	2,841
Total Child and Adult Care Food Program			3,336	3,336
Total Department of Agriculture			216,933	216,933
Total Federal Assistance			<u>\$ 943,342</u>	<u>\$ 953,512</u>

- (A) 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 (expenditures) is reported in the Schedule at the value of the commodities received as assessed by the U.S. Department of Agriculture (Entitlement Value).
- (B) Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 , Section .505
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None were noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted



**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Crestline Exempted Village School District
511 S. Thoman Street
Crestline, OH 44827

December 4, 2009

To the Board of Education:

Ohio Rev. Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Crestline Exempted Village School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on December 10, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;

- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

Hea & Associates, Inc.



Mary Taylor, CPA
Auditor of State

CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT
CRAWFORD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 11, 2010