



**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF CRESTLINE
CRAWFORD COUNTY

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**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Crestline
Crawford County
100 North Seltzer Street
Crestline, Ohio 44827

To the Village Council:

We have audited the accompanying financial statements of the Village of Crestline, Crawford County, Ohio, (the Village) as of and for the year ended December 31, 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Village as of December 31, 2000, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2001 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

JIM PETRO
Auditor of State

June 22, 2001

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**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2000**

| | <u>Governmental Fund Types</u> | | | | | Totals (Memorandum Only) |
|---|--------------------------------|----------------------------|-------------------------|-----------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Expendable Trust</u> | |
| Cash Receipts: | | | | | | |
| Local Taxes | \$116,301 | \$0 | \$235,091 | \$0 | \$1,289,233 | \$1,640,625 |
| Intergovernmental Receipts | 425,464 | 189,055 | 1,171 | 0 | 130 | 615,820 |
| Special Assessments | 0 | 0 | 0 | 0 | 0 | 0 |
| Charges for Services | 17,067 | 13,691 | 0 | 0 | 0 | 30,758 |
| Fines, Licenses, and Permits | 38,638 | 1,491 | 0 | 3,595 | 0 | 43,724 |
| Miscellaneous | 138,280 | 41,152 | 0 | 7,252 | 22,613 | 209,297 |
| Total Cash Receipts | <u>735,750</u> | <u>245,389</u> | <u>236,262</u> | <u>10,847</u> | <u>1,311,976</u> | <u>2,540,224</u> |
| Cash Disbursements: | | | | | | |
| Security of Persons and Property | 1,092,685 | 17,438 | 0 | 0 | 23,656 | 1,133,779 |
| Public Health Services | 7,304 | 0 | 0 | 0 | 0 | 7,304 |
| Leisure Time Activities | 42,520 | 0 | 0 | 0 | 0 | 42,520 |
| Community Environment | 0 | 5,288 | 0 | 0 | 16,461 | 21,749 |
| Basic Utility Service | 0 | 0 | 0 | 0 | 0 | 0 |
| Transportation | 0 | 283,115 | 0 | 0 | 0 | 283,115 |
| General Government | 329,011 | 0 | 6,126 | 0 | 117,689 | 452,826 |
| Debt Service | 0 | 0 | 1,853,619 | 0 | 0 | 1,853,619 |
| Capital Outlay | 832 | 10,240 | 0 | 181,634 | 0 | 192,706 |
| Total Cash Disbursements | <u>1,472,352</u> | <u>316,081</u> | <u>1,859,745</u> | <u>181,634</u> | <u>157,806</u> | <u>3,987,618</u> |
| Total Cash Receipts Over/(Under) Cash Disbursements | <u>(736,602)</u> | <u>(70,692)</u> | <u>(1,623,483)</u> | <u>(170,787)</u> | <u>1,154,170</u> | <u>(1,447,394)</u> |
| Other Financing Sources/(Uses): | | | | | | |
| Proceeds of Notes | 0 | 0 | 1,566,000 | 0 | 0 | 1,566,000 |
| Transfers-In | 773,099 | 156,235 | 104,372 | 248,880 | 0 | 1,282,586 |
| Transfers-Out | 0 | 0 | 0 | 0 | (1,178,214) | (1,178,214) |
| Other Uses | 0 | 0 | 0 | 0 | (26,457) | (26,457) |
| Total Other Financing Sources/(Uses) | <u>773,099</u> | <u>156,235</u> | <u>1,670,372</u> | <u>248,880</u> | <u>(1,204,671)</u> | <u>1,643,915</u> |
| Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses | <u>36,497</u> | <u>85,543</u> | <u>46,889</u> | <u>78,093</u> | <u>(50,501)</u> | <u>196,521</u> |
| Fund Cash Balances, January 1, 2000 | <u>775,348</u> | <u>295,675</u> | <u>128,789</u> | <u>542,600</u> | <u>84,646</u> | <u>1,827,058</u> |
| Fund Cash Balances, December 31, 2000 | <u>\$811,845</u> | <u>\$381,218</u> | <u>\$175,678</u> | <u>\$620,693</u> | <u>\$34,145</u> | <u>\$2,023,579</u> |
| Reserve for Encumbrances, December 31, 2000 | <u>\$1,166</u> | <u>\$957</u> | <u>\$0</u> | <u>\$10,449</u> | <u>\$34,477</u> | <u>\$47,049</u> |

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

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ENTERPRISE FUNDS AND AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2000**

| | <u>Enterprise</u> | <u>Agency</u> | <u>Totals (Memorandum Only)</u> |
|---|---------------------------|-----------------------|---|
| Operating Cash Receipts: | | | |
| Charges for Services | \$1,233,410 | \$0 | \$1,233,410 |
| Miscellaneous | 20,125 | 0 | 20,125 |
| | <u>1,253,535</u> | <u>0</u> | <u>1,253,535</u> |
| Operating Cash Disbursements: | | | |
| Personal Services | 393,317 | 0 | 393,317 |
| Travel Transportation | 2,441 | 0 | 2,441 |
| Contractual Services | 251,176 | 0 | 251,176 |
| Supplies and Materials | 77,311 | 0 | 77,311 |
| Capital Outlay | 14,634 | 0 | 14,634 |
| | <u>738,879</u> | <u>0</u> | <u>738,879</u> |
| Total Operating Cash Disbursements | | | |
| | <u>514,656</u> | <u>0</u> | <u>514,656</u> |
| Operating Income | | | |
| | <u>514,656</u> | <u>0</u> | <u>514,656</u> |
| Non-Operating Cash Receipts: | | | |
| Miscellaneous | 16,620 | 0 | 16,620 |
| Other Non-Operating Receipts | 0 | 38,202 | 38,202 |
| | <u>16,620</u> | <u>38,202</u> | <u>54,822</u> |
| Total Non-Operating Cash Receipts | | | |
| | <u>16,620</u> | <u>38,202</u> | <u>54,822</u> |
| Non-Operating Cash Disbursements: | | | |
| Debt Service | 155,437 | 0 | 155,437 |
| Other Non-Operating Cash Disbursements | 129 | 32,112 | 32,241 |
| | <u>155,566</u> | <u>32,112</u> | <u>187,678</u> |
| Total Non-Operating Cash Disbursements | | | |
| | <u>155,566</u> | <u>32,112</u> | <u>187,678</u> |
| Excess of Cash Receipts Over Cash Disbursements Before Interfund Transfers | <u>375,710</u> | <u>6,090</u> | <u>381,800</u> |
| Other Financing Uses: | | | |
| Transfers-Out | (104,372) | 0 | (104,372) |
| Net Cash Receipts Over Cash Disbursements and Uses | <u>271,338</u> | <u>6,090</u> | <u>277,428</u> |
| Fund Cash Balances, January 1, 2000 | <u>987,070</u> | <u>313</u> | <u>987,383</u> |
| Fund Cash Balances, December 31, 2000 | <u>\$1,258,408</u> | <u>\$6,403</u> | <u>\$1,264,811</u> |
| Reserve for Encumbrances, December 31, 2000 | <u>\$5,885</u> | <u>\$0</u> | <u>\$5,885</u> |

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

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Crestline, Crawford County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), and police and fire services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

Certificates of deposit are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant special revenue fund:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Funds

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service funds:

Wastewater Renovation Fund - This fund is used to accumulate resources for the payment of bonds and notes for the wastewater renovation project.

Swimming Pool Fund - This fund is used to accumulate resources for the payment of bonds for improvements to the Crestline Swimming Pool.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Capital Improvement Fund - This fund receives income tax receipts which are used for various Village improvements.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sanitary Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a non-expendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Local Income Tax Fund - This fund receives local income tax revenue which is allocated to the General Fund, the Street Construction Fund, and Capital Improvements Fund to assist with the expenses of these funds. The remaining portion of income tax revenue is used to cover the costs to collect this tax.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except the agency fund) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level of control and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated. The Village did not encumber all commitments or certify that funds were available for expenditures as required by Ohio Law.

A summary of 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

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

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

| | <u>2000</u> |
|--------------------------------|----------------------------|
| Deposits | \$ 1,136,228 |
| Certificates of Deposit | <u>2,000,000</u> |
| Total deposits | <u>3,136,228</u> |
| STAR Ohio | <u>152,162</u> |
| Total deposits and investments | <u><u>\$ 3,288,390</u></u> |

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2000 follows:

2000 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------------|----------------------------|--------------------------|
| General | \$ 1,153,800 | \$ 1,508,849 | \$ 355,049 |
| Special Revenue | 362,600 | 401,624 | 39,024 |
| Debt Service | 1,810,000 | 1,906,634 | 96,634 |
| Capital Projects | 252,000 | 259,727 | 7,727 |
| Expendable Trust | 1,230,584 | 1,311,976 | 81,392 |
| Enterprise | <u>975,500</u> | <u>1,270,155</u> | <u>294,655</u> |
| Total | <u><u>\$ 5,784,484</u></u> | <u><u>\$ 6,658,965</u></u> | <u><u>\$ 874,481</u></u> |

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|-------------------|
| General | \$ 1,533,504 | \$ 1,473,518 | \$ 59,986 |
| Special Revenue | 563,611 | 317,038 | 246,573 |
| Debt Service | 1,913,401 | 1,859,745 | 53,656 |
| Capital Projects | 353,120 | 192,083 | 161,037 |
| Expendable Trust | 1,342,645 | 1,396,954 | (54,309) |
| Enterprise | 1,509,635 | 1,004,702 | 504,933 |
| Total | <u>\$ 7,215,916</u> | <u>\$ 6,244,040</u> | <u>\$ 971,876</u> |

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|---------------------------------|---------------------|--------------------------|
| General Obligation Bonds | \$ 585,000 | 5.88% |
| Swimming Pool Improvement Notes | 390,000 | 4.47% |
| Waste Water Renovation Notes | 1,176,000 | 3.60% |
| Water System Revenue Bonds | <u>1,255,196</u> | 4.70% |
| Total | <u>\$ 3,406,196</u> | |

The General Obligation Bonds were issued in 1996 and used for the payment for construction done on the City Hall.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

5. DEBT (Continued)

The Swimming Pool Improvement Notes are due in November 2001 and Waste Water Renovation Notes were due in April 2001. In April 2001, the Village refinanced the Waste Water Renovation notes. The notes were used to help with improvements made to the wastewater treatment facilities, sewer facilities, and swimming pool. The payment of these notes is supported by the full faith and credit of the Village.

The Water Systems Revenue Bonds were issued in 1996 with proceeds being used to retire bond anticipation notes for the wastewater treatment plant. The payments of the bonds are secured by a pledge of the net revenues of the water fund.

Amortization of the above bonded debt, including interest, is scheduled as follows:

| Year ending December 31: | General Obligation Bonds | Water System Revenue Bonds |
|-----------------------------|--------------------------------|-------------------------------|
| 2001 | \$ 99,369 | \$ 153,423 |
| 2002 | 95,550 | 154,300 |
| 2003 | 91,731 | 154,800 |
| 2004 | 87,913 | 154,955 |
| 2005 | 84,094 | 154,755 |
| Subsequent | 298,188 | 943,750 |
| Total | \$ 756,845 | \$ 1,715,983 |

6. RETIREMENT SYSTEMS

The Village's law enforcement officers and firefighters belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2000, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries from January 1, 2000 - June 30, 2000. Due to a rollback in employer contribution rates, this amount was reduced to 8.13% from July 1, 2000 - December 31, 2000. The Village has paid all contributions required through December 31, 2000.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

7. RISK POOL MANAGEMENT

Through September 2000, the Village belonged to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

Casualty excess-of-loss contracts at December 31, 2000 and 1999 generally protect against individual losses over \$150,000 (\$100,000 for policies issued after March 31, 2000).

Property coverage contracts protect against losses, subject to a deductible of \$50,000 per occurrence, limited to an annual aggregate loss of the greater of \$300,000 or 1% of total coverage.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained (deficit) earnings at December 31:

| | <u>2000</u> | <u>1999</u> |
|-----------------------------|--------------------|------------------|
| Assets | \$2,958,827 | \$4,151,450 |
| Liabilities | <u>3,863,373</u> | <u>3,461,914</u> |
| Retained (deficit) earnings | <u>(\$904,546)</u> | <u>\$689,536</u> |

After September, the Village obtained insurance through a private carrier for comprehensive property, general liability and vehicles.

8. SUBSEQUENT EVENT

At the Council's meeting on May 7, 2001 the Solicitor pronounced that the Village of Crestline is now considered to be a City as a result of the most recent census date received.

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

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

Village of Crestline
Crawford County
100 North Seltzer Street
Crestline, Ohio 44827

To the Village Council:

We have audited the accompanying financial statements of the Village of Crestline, Crawford County, Ohio (the Village), as of and for the year ended December 31, 2000, and have issued our report thereon dated June 22, 2001. 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.

Compliance

As part of obtaining reasonable assurance about whether Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-30517-001 and 2000-30517-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 22, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as item 2000-30517-003 and 2000-30517-004. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 22, 2001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, none of the reportable conditions described above are considered to be material weaknesses.

This report is intended for the information and use of management and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

June 22, 2001

VILLAGE OF CRESTLINE
CRAWFORD COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000

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

FINDING NUMBER 2000-30517-001

Not Properly Certifying Expenditures

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification should be considered null and void.

This Section provides two exceptions to the above requirements:

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the purchase order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, Council may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1000, the fiscal officer may authorize it to be paid without the affirmation of Council, if such expenditure is otherwise valid.

Sixty five percent of transactions tested were not certified by the Clerk/Treasurer prior to the commitment being incurred, nor were they certified using a then-and-now certification. This procedure is not only required by Ohio law, but is a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by Council.

We recommend the Clerk/Treasurer properly certify all expenditures of the Village prior to the commitment being incurred.

This citation was issued in the prior audit report.

FINDING NUMBER 2000-30517-002

Timely Deposits of Receipts with Clerk/Treasurer

Ohio Rev. Code Section 9.38 provides that a person who is a public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt. If the total amount of public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited.

VILLAGE OF CRESTLINE
CRAWFORD COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000
(Continued)

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2000-30517-002
(Continued)**

Timely Deposits of Receipts with Clerk/Treasurer (Continued)

All receipts from the Income Tax Department and the Utility Department, and receipts for ambulance service were not being deposited with the Clerk/Treasurer on the business day following receipt. Receipts from these departments were being deposited three to four days after collection with the Village Clerk/Treasurer.

The Village has not adopted a policy as described in Ohio Rev. Code Section 9.38 permitting a different time period for making deposits.

We recommend all receipts are deposited with the Clerk/Treasurer on the following business day the receipts are collected or adopt an alternative policy that complies with the Ohio Rev. Code Section 9.38.

FINDING NUMBER 2000-30517-003

Village Council Monitoring of Receipts and Expenditures

The Village Council receives month to date appropriation and fund balance reports, however, these reports are not used to monitor receipts and expenditures of the Village. The lack of monitoring controls could result in the decline of the Village's control procedures without legislative knowledge.

Monitoring controls comprise regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as financial control objectives. Monitoring controls generally are concerned with users' analysis of reports or other forms of data produced by the accounting system. Such data may indirectly provide assurance as to the reliability of financial reporting information if it conforms with the users' expectations.

We recommend the Council review information monthly regarding revenues, expenditures, outstanding encumbrances, and monthly cash balances. This review should include the monthly reconciliation of all bank accounts and monthly budgetary reports comparing budgeted receipts and expenditures to actual results of operations.

The prior audit report included a reportable condition that indicated Council did not receive or monitor monthly financial reports.

FINDING NUMBER 2000-30517-004

Self Insurance - Third Party Administrator

The Village's third party administrator for self insurance expenditures does not undergo an annual audit to evaluate the design and effectiveness of internal control policies and procedures.

Without results that an annual audit provides, the Village has no assurance that policies and procedures over its self insurance expenditure transactions are in place and operating effectively. The third party administrator approved \$274,596 in claims for the Village during 2000.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2000-30517-004

Self Insurance - Third Party Administrator (Continued)

We recommend the Village consider negotiating a clause in their service contract requiring its third party administrator to undergo an annual audit that evaluates the design and effectiveness of its internal controls.

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VILLAGE OF CRESTLINE
CRAWFORD COUNTY

DECEMBER 31, 2000

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)

| Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|---|---------------------|---|
| <p>The Village did not comply with special reporting requirements for the Community Facility Loan Program. The requirements not complied with where as follows: * annual budget due prior to beginning of calendar year; * latest audit report; * balance sheet as of end of the year being completed * an additional information sheet listing Village officials and Council member.</p> | <p>Yes</p> | |



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

VILLAGE OF CRESTLINE

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
AUGUST 14, 2001**