

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

FINANCIAL STATEMENTS
(AUDITED)

FOR THE YEAR ENDED
DECEMBER 31, 2011

MARC MILLIRON, ADMINISTRATOR



Dave Yost • Auditor of State

Village Council
Village of Crestline
100 North Seltzer Street
Crestline, Ohio 44827

We have reviewed the *Independent Accountants' Report* of the Village of Crestline, Crawford County, prepared by Julian & Grube, Inc., for the audit period January 1, 2011 through December 31, 2011. 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 Village of Crestline is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 14, 2012

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**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Accountants' Report

Village of Crestline
100 North Seltzer Street
Crestline, Ohio 44827

To the Members of Council and Mayor:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Crestline, Crawford County, Ohio, as of and for the year ended December 31, 2011, which collectively comprise the Village of Crestline's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Crestline's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Crestline, Crawford County, Ohio, as of December 31, 2011, and the respective changes in cash financial position, thereof and the respective budgetary comparisons for the General, Street Construction, Maintenance and Repair, and Community Development Block Grant Funds for the year then ended in conformity with the accounting basis Note 2 describes.

As described in Note 3, during 2011, the Village of Crestline adopted Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

Village of Crestline
Independent Accountants' Report
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2012, on our consideration of the Village of Crestline's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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



Julian & Grube, Inc.
July 30, 2012

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED**

The management's discussion and analysis of the Village of Crestline's (the "Village") financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2011, within the limitations of the Village's cash basis of accounting. The intent of this discussion and analysis is to look at the Village'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 Village's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- The total net cash assets of the Village decreased \$133,407. Net cash assets of governmental activities decreased \$124,040 or 18.51% from 2010 and net cash assets of business-type activities decreased \$9,367 or 0.70% from 2010.
- General cash receipts accounted for \$1,630,817 or 58.99% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,133,775 or 41.01% of total governmental activities cash receipts.
- The Village had \$2,888,632 in cash disbursements related to governmental activities; \$1,133,775 of these cash disbursements were offset by program specific charges for services, grants or contributions. The remaining cash disbursements of the governmental activities were partially offset by general cash receipts (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$1,630,817.
- The Village's major governmental funds include the general fund, the street construction, maintenance and repair fund, the community development block grant fund and the capital improvements fund. The general fund had cash receipts of \$1,648,836 in 2011. The cash disbursements of the general fund totaled \$1,636,245 in 2011. The fund cash balance of the general fund increased \$12,591 from \$58,148 to \$70,739.
- The street construction, maintenance and repair fund had cash receipts of \$406,641 in 2011. The cash disbursements of the street construction, maintenance and repair fund totaled \$429,453 in 2011. The fund cash balance of the street construction, maintenance and repair fund decreased \$22,812 from \$85,179 to \$62,367.
- The community development block grant fund had cash receipts of \$285,907 in 2011. The cash disbursements of the community development block grant fund totaled \$278,856 in 2011. The fund cash balance of the community development block grant fund increased \$7,051 from \$25,872 to \$32,923 during 2011.
- The capital improvements fund had cash receipts of \$80,309 in 2011. The cash disbursements of the capital improvements fund totaled \$148,723 in 2011. The fund cash balance of the capital improvements fund decreased \$68,414 from \$252,716 to \$184,302.
- Net cash assets for the business-type activities, which are made up of the water, sewer, and ambulance services enterprise funds, decreased \$9,367 from \$1,345,256 to \$1,335,889.
- In the general fund, the actual budgetary basis receipts totaled \$1,536,091 and the actual budgetary basis disbursements totaled \$1,544,377. The Village did not file the proper budgetary documentation with the County Auditor throughout 2011 and therefore no amounts are reported in the original and final columns of the budgetary statements (See Note 3.B. to the basic financial statements).

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
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Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Village's cash basis of accounting. The annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Village as a financial whole, or, as an entire operating entity.

Report Components

The statement of net assets – cash basis and the statement of activities - cash basis provide information about the activities of the whole Village, presenting both an aggregate view of the Village's finances and a longer-term view of those finances.

Fund financial statements provide a greater 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 Village's most significant funds, with all other nonmajor funds presented in total in a single column. For the Village, the general fund is the most significant fund. The Village's major governmental funds are the general fund, the street construction, maintenance and repair fund, the community development block grant fund and capital improvements fund. The Village's major enterprise funds are the water fund and the sewer fund.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting which is a basis of accounting other than generally accepted accounting principles (GAAP). Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Village as a Whole

Statement of Net Assets - Cash Basis and Statement of Activities - Cash Basis

The statement of net assets – cash basis and the statement of activities - cash basis answer the question, "How did we do financially during 2011?" These statements include only net cash assets using the cash basis of accounting, which is a basis of accounting other than GAAP. This basis of accounting takes into account only the current year receipts and disbursements if the cash is actually received or paid.

These two statements report the Village's net cash assets and changes in those net cash assets on a cash basis. This change in net cash assets is important because it tells the reader that, for the Village as a whole, the cash basis financial position of the Village 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 Village's property tax base, sales tax receipts, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and State programs and other factors.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED

In the statement of net assets – cash basis and the statement of activities - cash basis, the Village is divided into two distinct kinds of activities:

Governmental activities - Most of the Village's programs and services are reported here including police, fire and rescue, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental receipts including federal and State grants and other shared receipts.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the cash disbursements of the goods or services provided. The Village's water, sewer and ambulance service operations are reported here.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Fund financial reports provide detailed information about the Village's major funds. The Village uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the Village's most significant funds. The analysis of the Village's major governmental and proprietary funds begins on page 11.

Governmental Funds

Most of the Village's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund statements provide a detailed view of the Village's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various Village programs. Since the Village is reporting on the cash basis of accounting, there are no differences in the net cash assets and fund cash balances or changes in net cash assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements.

The Village's budgetary process accounts for certain transactions on a cash basis. The budgetary statements for the general fund and all annually budgeted major special revenue funds are presented to demonstrate the Village's compliance with annually adopted budgets.

Proprietary Funds

The Village maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its water, sewer, and ambulance service functions. The Village's water and sewer funds are considered major funds, while the ambulance service fund is a nonmajor proprietary fund.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village's own programs. The Village's only fiduciary fund type is a private-purpose trust fund.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
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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 as related to the cash basis of accounting.

Government-Wide Financial Analysis

The statement of net assets - cash basis serves as a useful indicator of a government's financial position. Certain net cash asset classifications have been restated in the governmental activities for 2010 to conform to 2011 presentation in accordance with GASB Statement No. 54. The table below provides a summary of the Village's net cash assets at December 31, 2011 and December 31, 2010.

| | Net Cash Assets | | | | | |
|--|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|---------------------|---------------------------|
| | | | Restated | | | |
| | Governmental Activities 2011 | Business-type Activities 2011 | Governmental Activities 2010 | Business-type Activities 2010 | 2011 Total | Restated 2010 Total |
| <u>Assets</u> | | | | | | |
| Equity in pooled cash and cash equivalents | \$ 530,971 | \$ 1,335,889 | \$ 656,203 | \$ 1,172,972 | \$ 1,866,860 | \$ 1,829,175 |
| Cash in segregated accounts | 15,141 | - | 13,949 | - | 15,141 | 13,949 |
| Cash with fiscal agent | - | - | - | 172,284 | - | 172,284 |
| Total assets | <u>546,112</u> | <u>1,335,889</u> | <u>670,152</u> | <u>1,345,256</u> | <u>1,882,001</u> | <u>2,015,408</u> |
| <u>Net cash assets</u> | | | | | | |
| Restricted | 247,029 | - | 302,670 | 247,284 | 247,029 | 549,954 |
| Unrestricted | <u>299,083</u> | <u>1,335,889</u> | <u>367,482</u> | <u>1,097,972</u> | <u>1,634,972</u> | <u>1,465,454</u> |
| Total net cash assets | <u>\$ 546,112</u> | <u>\$ 1,335,889</u> | <u>\$ 670,152</u> | <u>\$ 1,345,256</u> | <u>\$ 1,882,001</u> | <u>\$ 2,015,408</u> |

The total net cash assets of the Village decreased \$133,407, net cash assets of governmental activities decreased \$124,040 or 18.51% from 2010 and net cash assets of business-type activities decreased \$9,367 or 0.70% from 2010.

At December 31, 2011, a portion of the Village's net cash assets, \$247,029, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash assets of \$1,634,972 may be used to meet the government's ongoing obligations to citizens and creditors.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
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The table below shows the changes in net cash assets for 2011 and 2010.

| | Changes in Net Cash Assets | | | | | |
|--------------------------------------|---|--|---|--|------------------|------------------|
| | Governmental Activities <u>2011</u> | Business-type Activities <u>2011</u> | Governmental Activities <u>2010</u> | Business-type Activities <u>2010</u> | 2011 Total | 2010 Total |
| Cash receipts: | | | | | | |
| Program receipts: | | | | | | |
| Charges for services | \$ 281,532 | \$ 1,951,265 | \$ 255,254 | \$ 1,795,932 | \$ 2,232,797 | \$ 2,051,186 |
| Operating grants and contributions | 708,845 | - | 462,568 | - | 708,845 | 462,568 |
| Capital grants and contributions | <u>143,398</u> | <u>-</u> | <u>213,654</u> | <u>269,283</u> | <u>143,398</u> | <u>482,937</u> |
| Total program receipts | <u>1,133,775</u> | <u>1,951,265</u> | <u>931,476</u> | <u>2,065,215</u> | <u>3,085,040</u> | <u>2,996,691</u> |
| General receipts: | | | | | | |
| Property taxes | 187,038 | - | 180,971 | - | 187,038 | 180,971 |
| Income taxes | 1,070,171 | - | 1,031,332 | - | 1,070,171 | 1,031,332 |
| Unrestricted grants and entitlements | 296,058 | - | 270,674 | - | 296,058 | 270,674 |
| Issuance of debt | - | 795,578 | 81,550 | 763,000 | 795,578 | 844,550 |
| Investment earnings | 16,714 | - | 29,991 | 7 | 16,714 | 29,998 |
| Miscellaneous | <u>60,836</u> | <u>20,489</u> | <u>142,579</u> | <u>26,684</u> | <u>81,325</u> | <u>169,263</u> |
| Total general receipts | <u>1,630,817</u> | <u>816,067</u> | <u>1,737,097</u> | <u>789,691</u> | <u>2,446,884</u> | <u>2,526,788</u> |
| Total receipts | <u>2,764,592</u> | <u>2,767,332</u> | <u>2,668,573</u> | <u>2,854,906</u> | <u>5,531,924</u> | <u>5,523,479</u> |

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
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| | Changes in Net Cash Assets | | | | | |
|--------------------------------------|-----------------------------------|---------------------|-------------------|---------------------|---------------------|---------------------|
| | Governmental | Business-type | Governmental | Business-type | 2011 | 2010 |
| | Activities | Activities | Activities | Activities | Total | Total |
| | <u>2011</u> | <u>2011</u> | <u>2010</u> | <u>2010</u> | <u>Total</u> | <u>Total</u> |
| Cash disbursements: | | | | | | |
| General government | 341,875 | - | 389,744 | - | 341,875 | 389,744 |
| Security of persons and property | 1,299,889 | - | 1,341,351 | - | 1,299,889 | 1,341,351 |
| Transportation | 522,493 | - | 519,794 | - | 522,493 | 519,794 |
| Community environment | 463,569 | - | 219,483 | - | 463,569 | 219,483 |
| Leisure time activity | 98,926 | - | 130,587 | - | 98,926 | 130,587 |
| Capital outlay | 139,308 | - | 493,355 | - | 139,308 | 493,355 |
| Debt service: | | | | | | |
| Principal retirement | 16,184 | - | 22,670 | - | 16,184 | 22,670 |
| Interest and fiscal charges | 6,388 | - | 10,865 | - | 6,388 | 10,865 |
| Water | - | 872,087 | - | 1,208,266 | 872,087 | 1,208,266 |
| Sewer | - | 1,761,618 | - | 1,538,584 | 1,761,618 | 1,538,584 |
| Ambulance services | - | 142,994 | - | 203,176 | 142,994 | 203,176 |
| Total cash disbursements | <u>2,888,632</u> | <u>2,776,699</u> | <u>3,127,849</u> | <u>2,950,026</u> | <u>5,665,331</u> | <u>6,077,875</u> |
| Change in net cash assets | (124,040) | (9,367) | (459,276) | (95,120) | (133,407) | (554,396) |
| Net cash assets at beginning of year | <u>670,152</u> | <u>1,345,256</u> | <u>1,129,428</u> | <u>1,440,376</u> | <u>2,015,408</u> | <u>2,569,804</u> |
| Net cash assets at end of year | <u>\$ 546,112</u> | <u>\$ 1,335,889</u> | <u>\$ 670,152</u> | <u>\$ 1,345,256</u> | <u>\$ 1,882,001</u> | <u>\$ 2,015,408</u> |

The operating grants and contributions and community environment cash disbursements of the governmental activities increased during 2011 due to significant housing project activity recorded in the community development block grant fund. Capital outlay cash disbursements of the governmental activities decreased due to fewer construction projects conducted during 2011 and declining capital asset acquisitions. The water fund cash disbursements decreased due to the completion of capital projects during 2010, resulting in less capital outlay cash disbursements during 2011.

Governmental Activities

Governmental activities net cash assets decreased \$124,040 in 2011.

Security of persons and property primarily supports the operations of the police and fire department's cash disbursements, which total \$1,299,889 and account for 45.00% of the total governmental cash disbursements of the Village. Security of persons and property cash disbursements were partially funded by direct charges to users of \$65,716 and operating grants and contributions of \$5,950.

General government cash disbursements totaled \$341,875. General government cash disbursements were partially funded by \$87,561 in direct charges to users of the services.

Transportation cash disbursements of \$522,493 were partially funded by \$234,105 in operating grants and contributions and \$142,680 in capital grants and contributions.

Community environment cash disbursements of \$463,569 were funded by \$72,446 in direct charges to users and \$467,380 in operating grants and contributions.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

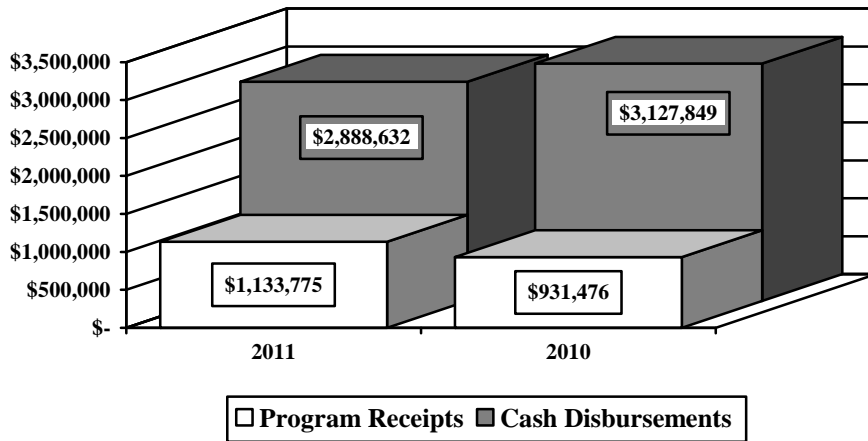
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
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The State and federal government contributed to the Village a total of \$708,845 in operating grants and contributions. These program cash receipts are restricted to a particular program or purpose. Of the total operating grants and contributions, \$234,105 subsidized transportation programs, \$467,380 subsidized community environment activities, \$1,410 subsidized leisure time activities and \$5,950 subsidized security of persons and property.

General cash receipts totaled \$1,630,817, and amounted to 58.99% of total governmental cash receipts. These cash receipts primarily consist of property and income tax receipts of \$1,257,209. The other primary source of general cash receipts are grants and entitlements not restricted to specific programs, including local government and local government assistance, making up \$296,058.

The statement of activities - cash basis shows the cost of program services and the charges for services and grants offsetting those services. As can be seen in the graph below, the Village is highly dependent upon general cash receipts (primarily property and income taxes as well as unrestricted grants and entitlements) to support its governmental activities. Program cash receipts were not sufficient to cover total governmental cash disbursements for 2011.

Governmental Activities - Program Receipts vs. Total Cash Disbursements



**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
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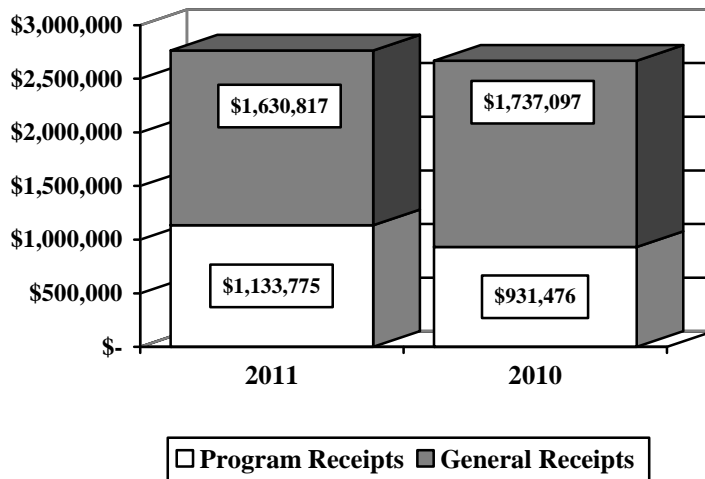
The following table shows, for governmental activities, the total cost of services and the net cost of services for 2011 and 2010. That is, it identifies the cost of these services supported by tax receipts and unrestricted State grants and entitlements.

| | Governmental Activities | | | |
|----------------------------------|--|--|--|--|
| | Total Cost of Services <u>2011</u> | Net Cost of Services <u>2011</u> | Total Cost of Services <u>2010</u> | Net Cost of Services <u>2010</u> |
| Cash disbursements: | | | | |
| General government | \$ 341,875 | \$ 254,314 | \$ 389,744 | \$ 329,976 |
| Security of persons and property | 1,299,889 | 1,228,223 | 1,341,351 | 1,276,099 |
| Transportation | 522,493 | 145,708 | 519,794 | 141,973 |
| Community environment | 463,569 | (76,257) | 219,483 | 13,333 |
| Leisure time activity | 98,926 | 40,989 | 130,587 | 45,228 |
| Capital outlay | 139,308 | 139,308 | 493,355 | 356,229 |
| Debt service: | | | | |
| Principal retirement | 16,184 | 16,184 | 22,670 | 22,670 |
| Interest and fiscal charges | 6,388 | 6,388 | 10,865 | 10,865 |
| Total | <u>\$ 2,888,632</u> | <u>\$ 1,754,857</u> | <u>\$ 3,127,849</u> | <u>\$ 2,196,373</u> |

The dependence upon general cash receipts for governmental activities is apparent, with 60.75% of cash disbursements supported through taxes and other general cash receipts.

The chart below illustrates the Village's program cash receipts versus general cash receipts for 2011 and 2010.

Governmental Activities - General and Program Receipts



**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
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Business-type Activities

Business-type activities include the water, sewer, and ambulance service enterprise funds. These programs had program cash receipts of \$1,951,265, general cash receipts of \$816,067 and cash disbursements of \$2,776,699 for 2011. The net cash assets of these programs decreased \$9,367 from 2010.

Financial Analysis of the Government's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The Village's governmental funds are accounted for using the cash basis of accounting.

The Village's governmental funds reported a combined fund cash balance of \$546,112, which is \$124,040 lower than last year's total of \$670,152.

The schedule below indicates the fund cash balances and the total change in fund cash balances as of December 31, 2011 and December 31, 2010 for all major and nonmajor governmental funds.

| | Fund Cash Balances <u>12/31/11</u> | Fund Cash Balances <u>12/31/10</u> | Increase/ <u>(Decrease)</u> |
|---|---------------------------------------|---------------------------------------|--------------------------------|
| Major funds: | | | |
| General | \$ 70,739 | \$ 58,148 | \$ 12,591 |
| Street construction, maintenance and repair | 62,367 | 85,179 | (22,812) |
| Community development block grant | 32,923 | 25,872 | 7,051 |
| Capital improvements | 184,302 | 252,716 | (68,414) |
| Other nonmajor governmental funds | <u>195,781</u> | <u>248,237</u> | <u>(52,456)</u> |
| Total | <u>\$ 546,112</u> | <u>\$ 670,152</u> | <u>\$ (124,040)</u> |

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED

General Fund

The Village's general fund cash balance increased \$12,591. The table that follows assists in illustrating the cash receipts of the general fund for 2011 and 2010.

| | <u>2011 Amount</u> | <u>2010 Amount</u> | <u>Amount Change</u> | <u>Percentage Change</u> |
|------------------------------|------------------------|------------------------|--------------------------|------------------------------|
| <u>Cash receipts:</u> | | | | |
| Taxes | \$ 1,066,255 | \$ 934,016 | \$ 132,239 | 14.16 % |
| Charges for services | 66,055 | 104,783 | (38,728) | (36.96) % |
| Licenses, permits and fees | 71,711 | 3,969 | 67,742 | 1,706.78 % |
| Fines and forfeitures | 74,417 | 51,104 | 23,313 | 45.62 % |
| Investment income | 16,102 | 28,907 | (12,805) | (44.30) % |
| Intergovernmental | 291,472 | 265,994 | 25,478 | 9.58 % |
| Other | <u>62,824</u> | <u>139,538</u> | <u>(76,714)</u> | (54.98) % |
| Total | <u>\$ 1,648,836</u> | <u>\$ 1,528,311</u> | <u>\$ 120,525</u> | 7.89 % |

Overall cash receipts of the general fund increased \$120,525 or 7.89% during 2011. Cash receipts related to charges for services decreased \$38,728 or 36.96% mainly due to 2010 Village festival receipts that were not received in 2011. Cash receipts related to licenses, permits and fees increased \$67,742 or 1,706.78% due to an increase in franchise fees received during 2011. Cash receipts related to fines and forfeitures increased \$23,313 or 45.62% due to increased Mayor's Court activity in 2011. Miscellaneous receipts made by the Village decreased significantly during 2011, but all other cash receipt classifications remained comparable to 2010.

The table that follows assists in illustrating the comparison of cash disbursements of the general fund for 2011 and 2010.

| | <u>2011 Amount</u> | <u>2010 Amount</u> | <u>Amount Change</u> | <u>Percentage Change</u> |
|-----------------------------------|------------------------|------------------------|--------------------------|------------------------------|
| <u>Cash disbursements:</u> | | | | |
| General government | \$ 341,875 | \$ 389,744 | \$ (47,869) | (12.28) % |
| Security of persons and property | 1,250,157 | 1,310,986 | (60,829) | (4.64) % |
| Community environment | 250 | 39,307 | (39,057) | (99.36) % |
| Leisure time activity | 40,608 | 44,314 | (3,706) | (8.36) % |
| Debt service | <u>3,355</u> | <u>6,710</u> | <u>(3,355)</u> | (50.00) % |
| Total | <u>\$ 1,636,245</u> | <u>\$ 1,791,061</u> | <u>\$ (154,816)</u> | (8.64) % |

Overall cash disbursements of the general fund decreased \$154,816 or 8.64% during 2011. Cash disbursements related to community environment activities decreased \$39,057 or 99.36% due to 2010 Village festival activity and other professional services costs that the Village did not incur during 2011. Cash disbursements related to debt service activity decreased \$3,355 or 50.00% due to the Village making only one debt service payment on its police and fire pension liability during 2011. The decreases in the remaining cash disbursement classifications is an indication that the Village is attempting to remain fiscally responsible during difficult economic times.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED

Street Construction, Maintenance and Repair Fund

The street construction, maintenance and repair fund had cash receipts of \$406,641 in 2011. The cash disbursements of the street construction, maintenance and repair fund totaled \$429,453 in 2011. The fund cash balance of the street construction, maintenance and repair fund decreased \$22,812 from 85,179 to \$62,367.

Community Development Block Grant Fund

The community development block grant fund had cash receipts of \$285,907 in 2011. The cash disbursements of the community development block grant fund totaled \$278,856 in 2011. The fund cash balance of the community development block grant fund increased \$7,051 from \$25,872 to \$32,923 during 2011.

Capital Improvements Fund

The capital improvements fund had cash receipts of \$80,309 in 2011. The cash disbursements of the capital improvements fund totaled \$148,723 in 2011. The fund cash balance of the capital improvements fund decreased \$68,414 from \$252,716 to \$184,302.

Proprietary Funds

The Village's enterprise funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail.

Budgeting Highlights

The Village's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the Village's appropriations which are restricted by the amounts of anticipated cash receipts certified by the Budget Commission in accordance with the ORC. Therefore, the Village's plans or desires cannot be totally reflected in the original budget. If budgeted cash receipts are adjusted due to actual activity then the appropriations can be adjusted accordingly.

Budgetary information is presented for the general fund. In the general fund, the actual budgetary basis receipts totaled \$1,536,091 and the actual budgetary basis disbursements totaled \$1,544,377. The Village did not file the proper budgetary documentation with the County Auditor throughout 2011 and therefore no amounts are reported in the original and final columns of the budgetary statement (See Note 3.B. to the basic financial statements).

Capital Assets and Debt Administration

Capital Assets

The Village does not report capital assets in the accompanying basic financial statements, but records payments for capital assets as cash disbursements. The Village had capital outlay cash disbursements of \$139,308 for governmental activities and \$274,390 for business-type activities during 2011.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED

Debt Administration

The Village had the following long-term obligations outstanding at December 31, 2011 and December 31, 2010.

| | <u>Governmental Activities</u> | |
|---------------------------------|-------------------------------------|--------------------------|
| | <u>2011</u> | <u>Restated 2010</u> |
| Lease purchase agreement | \$ 67,978 | \$ 82,962 |
| Police and fire pension | <u>100,223</u> | <u>101,423</u> |
| Total long-term obligations | <u>\$ 168,201</u> | <u>\$ 184,385</u> |
| | <u>Business-type Activities</u> | |
| | <u>2011</u> | <u>Restated 2010</u> |
| Equipment acquisition bonds | \$ 60,338 | \$ 75,462 |
| Revenue bonds | - | 150,000 |
| Bond anticipation notes | 698,000 | 698,000 |
| Lease purchase agreement | 195,584 | 237,511 |
| OWDA loan | 97,578 | - |
| OPWC loans | <u>503,253</u> | <u>534,135</u> |
| Total long-term obligations | <u>\$ 1,554,753</u> | <u>\$ 1,695,108</u> |

Further detail on the Village's long-term obligations can be found in Note 13 to the financial statements.

Economic Conditions and Outlook

The Village's current population as of the 2010 Census is 4,630.

The Village is located in Crawford County. Crawford County reported an unemployment rate of 9.9% at December 31, 2011, compared to the 7.6% State average.

State funding is uncertain due to budgetary shortfalls at the State level. It appears Local Government Revenue and Local Government Revenue Assistance Funds may be cut by 10% as part of the biennial State budget. These funds represented approximately 13% of the Village's general fund cash receipts in 2011. Income and property tax cash receipts are expected to remain consistent as well as overall cash disbursements.

These economic factors were considered in preparing the Village's budget for 2012. The Village has continued to practice a conservative budgetary process in order to preserve a positive financial position in future years.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information please contact Carol Wagner, Fiscal Officer, 100 North Seltzer Street, Crestline, Ohio 44827.

**CASH BASIS
FINANCIAL STATEMENTS**

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**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2011

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|---------------------|
| Assets: | | | |
| Equity in pooled cash and cash equivalents | \$ 530,971 | \$ 1,335,889 | \$ 1,866,860 |
| Cash in segregated accounts. | 15,141 | - | 15,141 |
| Total assets | <u>\$ 546,112</u> | <u>\$ 1,335,889</u> | <u>\$ 1,882,001</u> |
| Net cash assets: | | | |
| Restricted for: | | | |
| Capital projects | \$ 23,495 | \$ - | \$ 23,495 |
| Debt service | 75,204 | - | 75,204 |
| Transportation projects | 81,134 | - | 81,134 |
| Community environment programs | 39,118 | - | 39,118 |
| Other purposes. | 28,078 | - | 28,078 |
| Unrestricted | <u>299,083</u> | <u>1,335,889</u> | <u>1,634,972</u> |
| Total net cash assets | <u>\$ 546,112</u> | <u>\$ 1,335,889</u> | <u>\$ 1,882,001</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

| | Cash Disbursements | Program Cash Receipts | | |
|--|-----------------------|-----------------------------------|---------------------------------------|-------------------------------------|
| | | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental activities: | | | | |
| General government. | \$ 341,875 | \$ 87,561 | \$ - | \$ - |
| Security of persons and property | 1,299,889 | 65,716 | 5,950 | - |
| Transportation. | 522,493 | - | 234,105 | 142,680 |
| Community environment | 463,569 | 72,446 | 467,380 | - |
| Leisure time activity. | 98,926 | 55,809 | 1,410 | 718 |
| Capital outlay | 139,308 | - | - | - |
| Debt service: | | | | |
| Principal retirement | 16,184 | - | - | - |
| Interest and fiscal charges. | 6,388 | - | - | - |
| Total governmental activities | <u>2,888,632</u> | <u>281,532</u> | <u>708,845</u> | <u>143,398</u> |
| Business-type activities: | | | | |
| Water. | 872,087 | 914,843 | - | - |
| Sewer | 1,761,618 | 888,664 | - | - |
| Ambulance services | 142,994 | 147,758 | - | - |
| Total business-type activities | <u>2,776,699</u> | <u>1,951,265</u> | <u>-</u> | <u>-</u> |
| Totals | <u>\$ 5,665,331</u> | <u>\$ 2,232,797</u> | <u>\$ 708,845</u> | <u>\$ 143,398</u> |

General cash receipts:

| | |
|---|--|
| Property taxes levied for: | |
| General purposes | |
| Police pension. | |
| Fire pension | |
| Income taxes levied for: | |
| General purposes | |
| Street construction and maintenance. | |
| Capital improvements | |
| Grants and entitlements not restricted to specific programs. | |
| Note issuance | |
| Loan issuance | |
| Investment earnings | |
| Miscellaneous | |
| Total general cash receipts. | |
| Change in net cash assets | |
| Net cash assets at beginning of year. | |
| Net cash assets at end of year | |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net Cash Receipts (Cash Disbursements)
and Changes in Net Cash Assets**

| Governmental Activities | Business-type Activities | Total |
|------------------------------------|-------------------------------------|---------------------|
| \$ (254,314) | \$ - | \$ (254,314) |
| (1,228,223) | - | (1,228,223) |
| (145,708) | - | (145,708) |
| 76,257 | - | 76,257 |
| (40,989) | - | (40,989) |
| (139,308) | - | (139,308) |
| (16,184) | - | (16,184) |
| (6,388) | - | (6,388) |
| <u>(1,754,857)</u> | <u>-</u> | <u>(1,754,857)</u> |
| - | 42,756 | 42,756 |
| - | (872,954) | (872,954) |
| - | 4,764 | 4,764 |
| - | <u>(825,434)</u> | <u>(825,434)</u> |
| <u>(1,754,857)</u> | <u>(825,434)</u> | <u>(2,580,291)</u> |
| 161,774 | - | 161,774 |
| 12,632 | - | 12,632 |
| 12,632 | - | 12,632 |
| 904,481 | - | 904,481 |
| 89,033 | - | 89,033 |
| 76,657 | - | 76,657 |
| 296,058 | - | 296,058 |
| - | 698,000 | 698,000 |
| - | 97,578 | 97,578 |
| 16,714 | - | 16,714 |
| <u>60,836</u> | <u>20,489</u> | <u>81,325</u> |
| <u>1,630,817</u> | <u>816,067</u> | <u>2,446,884</u> |
| (124,040) | (9,367) | (133,407) |
| <u>670,152</u> | <u>1,345,256</u> | <u>2,015,408</u> |
| <u>\$ 546,112</u> | <u>\$ 1,335,889</u> | <u>\$ 1,882,001</u> |

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

STATEMENT OF ASSETS AND FUND CASH BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

| | General | Street Construction, Maintenance and Repair | Community Development Block Grant | Capital Improvements | Other Governmental Funds | Total Governmental Funds |
|--|------------------|--|--|-------------------------|--------------------------------|--------------------------------|
| Assets: | | | | | | |
| Equity in pooled cash and cash equivalents . . . | \$ 58,733 | \$ 62,367 | \$ 32,923 | \$ 184,302 | \$ 192,646 | \$ 530,971 |
| Cash in segregated accounts. | 12,006 | - | - | - | 3,135 | 15,141 |
| Total assets | <u>\$ 70,739</u> | <u>\$ 62,367</u> | <u>\$ 32,923</u> | <u>\$ 184,302</u> | <u>\$ 195,781</u> | <u>\$ 546,112</u> |
| Fund cash balances: | | | | | | |
| Nonspendable | \$ 4,569 | \$ - | \$ - | \$ - | \$ - | \$ 4,569 |
| Restricted | 7,067 | 62,367 | 32,923 | - | 144,672 | 247,029 |
| Committed | - | - | - | 184,302 | 51,109 | 235,411 |
| Assigned | 18,475 | - | - | - | - | 18,475 |
| Unassigned | 40,628 | - | - | - | - | 40,628 |
| Total fund cash balances. | <u>\$ 70,739</u> | <u>\$ 62,367</u> | <u>\$ 32,923</u> | <u>\$ 184,302</u> | <u>\$ 195,781</u> | <u>\$ 546,112</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

| | General | Street Construction, Maintenance and Repair | Community Development Block Grant | Capital Improvements | Other Governmental Funds | Total Governmental Funds |
|---|------------------|--|--|-------------------------|--------------------------------|--------------------------------|
| Cash receipts: | | | | | | |
| Municipal income taxes | \$ 904,481 | \$ 89,033 | \$ - | \$ 76,657 | \$ - | \$ 1,070,171 |
| Property and other taxes. | 161,774 | - | - | - | 25,264 | 187,038 |
| Charges for services. | 66,055 | - | - | - | 55,279 | 121,334 |
| Licenses, permits and fees | 71,711 | - | - | - | - | 71,711 |
| Fines and forfeitures | 74,417 | - | - | - | 6,365 | 80,782 |
| Intergovernmental. | 291,472 | 316,175 | 284,497 | - | 245,986 | 1,138,130 |
| Investment income. | 16,102 | 1,433 | 1,410 | - | 1,222 | 20,167 |
| Rental income | 6,950 | - | - | - | - | 6,950 |
| Contributions and donations. | - | - | - | - | 718 | 718 |
| Other | 55,874 | - | - | 3,652 | 8,065 | 67,591 |
| Total cash receipts | 1,648,836 | 406,641 | 285,907 | 80,309 | 342,899 | 2,764,592 |
| Cash disbursements: | | | | | | |
| Current: | | | | | | |
| General government | 341,875 | - | - | - | - | 341,875 |
| Security of persons and property | 1,250,157 | - | - | - | 49,732 | 1,299,889 |
| Transportation | - | 429,453 | - | - | 93,040 | 522,493 |
| Community environment | 250 | - | 278,856 | - | 184,463 | 463,569 |
| Leisure time activity | 40,608 | - | - | - | 58,318 | 98,926 |
| Capital outlay | - | - | - | 129,508 | 9,800 | 139,308 |
| Debt service: | | | | | | |
| Principal retirement. | 1,200 | - | - | 14,984 | - | 16,184 |
| Interest and fiscal charges | 2,155 | - | - | 4,231 | 2 | 6,388 |
| Total cash disbursements | 1,636,245 | 429,453 | 278,856 | 148,723 | 395,355 | 2,888,632 |
| Net change in fund cash balances | 12,591 | (22,812) | 7,051 | (68,414) | (52,456) | (124,040) |
| Fund cash balances at beginning of year. | 58,148 | 85,179 | 25,872 | 252,716 | 248,237 | 670,152 |
| Fund cash balances at end of year | \$ 70,739 | \$ 62,367 | \$ 32,923 | \$ 184,302 | \$ 195,781 | \$ 546,112 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Budgetary basis receipts: | | | | |
| Municipal income taxes | \$ - | \$ - | \$ 795,142 | \$ 795,142 |
| Property and other taxes. | - | - | 161,774 | 161,774 |
| Charges for services. | - | - | 66,055 | 66,055 |
| Licenses, permits and fees | - | - | 71,711 | 71,711 |
| Fines and forfeitures | - | - | 73,370 | 73,370 |
| Intergovernmental. | - | - | 291,472 | 291,472 |
| Investment income. | - | - | 16,102 | 16,102 |
| Rental income | - | - | 6,950 | 6,950 |
| Other | - | - | 53,515 | 53,515 |
| Total budgetary basis receipts | <u>-</u> | <u>-</u> | <u>1,536,091</u> | <u>1,536,091</u> |
| Budgetary basis disbursements: | | | | |
| Current: | | | | |
| General government | 764 | 764 | 248,469 | (247,705) |
| Security of persons and property | 1,908 | 1,908 | 1,255,036 | (1,253,128) |
| Community environment | - | - | 250 | (250) |
| Leisure time activity | 250 | 250 | 40,622 | (40,372) |
| Total budgetary basis disbursements | <u>2,922</u> | <u>2,922</u> | <u>1,544,377</u> | <u>(1,541,455)</u> |
| Net change in fund cash balances. | (2,922) | (2,922) | (8,286) | (5,364) |
| Fund cash balances at beginning of year (restated) . . . | 39,594 | 39,594 | 39,594 | - |
| Prior year encumbrances appropriated (restated) . . . | 2,922 | 2,922 | 2,922 | - |
| Fund cash balance at end of year | <u>\$ 39,594</u> | <u>\$ 39,594</u> | <u>\$ 34,230</u> | <u>\$ (5,364)</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS
STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Budgetary basis receipts: | | | | |
| Municipal income taxes | \$ - | \$ - | \$ 89,033 | \$ 89,033 |
| Intergovernmental. | - | - | 316,175 | 316,175 |
| Investment income. | - | - | 1,433 | 1,433 |
| Total budgetary basis receipts | <u>-</u> | <u>-</u> | <u>406,641</u> | <u>406,641</u> |
| Budgetary basis disbursements: | | | | |
| Current: | | | | |
| Transportation | 4,267 | 4,267 | 433,227 | (428,960) |
| Total budgetary basis disbursements | <u>4,267</u> | <u>4,267</u> | <u>433,227</u> | <u>(428,960)</u> |
| Net change in fund cash balances | (4,267) | (4,267) | (26,586) | (22,319) |
| Fund cash balances at beginning of year. | 80,912 | 80,912 | 80,912 | - |
| Prior year encumbrances appropriated | 4,267 | 4,267 | 4,267 | - |
| Fund cash balance at end of year | <u>\$ 80,912</u> | <u>\$ 80,912</u> | <u>\$ 58,593</u> | <u>\$ (22,319)</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Budgetary basis receipts: | | | | |
| Intergovernmental. | \$ - | \$ - | \$ 284,497 | \$ 284,497 |
| Investment income. | - | - | 1,410 | 1,410 |
| Total budgetary basis receipts | <u>-</u> | <u>-</u> | <u>285,907</u> | <u>285,907</u> |
| Budgetary basis disbursements: | | | | |
| Current: | | | | |
| Community environment | - | - | 278,965 | (278,965) |
| Total budgetary basis disbursements | <u>-</u> | <u>-</u> | <u>278,965</u> | <u>(278,965)</u> |
| Net change in fund cash balances | - | - | 6,942 | 6,942 |
| Fund cash balances at beginning of year. | <u>25,872</u> | <u>25,872</u> | <u>25,872</u> | <u>-</u> |
| Fund cash balance at end of year | <u>\$ 25,872</u> | <u>\$ 25,872</u> | <u>\$ 32,814</u> | <u>\$ 6,942</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

STATEMENT OF NET ASSETS - CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2011

| | Business-type Activities - Enterprise Funds | | | |
|--|--|--------------|-----------------|--------------|
| | Water | Sewer | Nonmajor | Total |
| Assets: | | | | |
| Equity in pooled cash and cash equivalents | \$ 1,050,201 | \$ 152,679 | \$ 133,009 | \$ 1,335,889 |
| Total assets | \$ 1,050,201 | \$ 152,679 | \$ 133,009 | \$ 1,335,889 |
| Net cash assets: | | | | |
| Unrestricted | \$ 1,050,201 | \$ 152,679 | \$ 133,009 | \$ 1,335,889 |
| Total net cash assets | \$ 1,050,201 | \$ 152,679 | \$ 133,009 | \$ 1,335,889 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN NET CASH ASSETS - CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

| | <u>Business-type Activities - Enterprise Funds</u> | | | |
|---|--|-------------------|-------------------|---------------------|
| | <u>Water</u> | <u>Sewer</u> | <u>Nonmajor</u> | <u>Total</u> |
| Operating receipts: | | | | |
| Charges for services | \$ 914,843 | \$ 888,664 | \$ 147,758 | \$ 1,951,265 |
| Other | 13,552 | 6,337 | 600 | 20,489 |
| Total operating receipts. | <u>928,395</u> | <u>895,001</u> | <u>148,358</u> | <u>1,971,754</u> |
| Operating disbursements: | | | | |
| Personal services | 446,909 | 323,321 | 67,009 | 837,239 |
| Contract services. | 127,380 | 197,582 | 30,578 | 355,540 |
| Materials and supplies. | 53,859 | 34,087 | 22,744 | 110,690 |
| Utilities | 38,823 | 87,343 | - | 126,166 |
| Other | 717 | 6,236 | 79 | 7,032 |
| Capital outlay | 32,494 | 240,277 | 1,619 | 274,390 |
| Total operating disbursements. | <u>700,182</u> | <u>888,846</u> | <u>122,029</u> | <u>1,711,057</u> |
| Excess of operating receipts over operating disbursements. | <u>228,213</u> | <u>6,155</u> | <u>26,329</u> | <u>260,697</u> |
| Nonoperating receipts (disbursements): | | | | |
| Debt service: | | | | |
| Principal retirement | (161,459) | (825,934) | (13,540) | (1,000,933) |
| Interest and fiscal charges | (10,446) | (46,838) | (7,425) | (64,709) |
| Note issuance | - | 698,000 | - | 698,000 |
| Loan issuance | - | 97,578 | - | 97,578 |
| Total nonoperating receipts (disbursements) | <u>(171,905)</u> | <u>(77,194)</u> | <u>(20,965)</u> | <u>(270,064)</u> |
| Income (loss) before transfers. | 56,308 | (71,039) | 5,364 | (9,367) |
| Transfers in | - | 115,219 | - | 115,219 |
| Transfers out | <u>(115,219)</u> | <u>-</u> | <u>-</u> | <u>(115,219)</u> |
| Change in net cash assets | (58,911) | 44,180 | 5,364 | (9,367) |
| Net cash assets at beginning of year. | <u>1,109,112</u> | <u>108,499</u> | <u>127,645</u> | <u>1,345,256</u> |
| Net cash assets at end of year | <u>\$ 1,050,201</u> | <u>\$ 152,679</u> | <u>\$ 133,009</u> | <u>\$ 1,335,889</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

STATEMENT OF NET ASSETS - CASH BASIS
FIDUCIARY FUND
DECEMBER 31, 2011

| | <u>Private-Purpose Trust</u> |
|--|----------------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents | \$ 18,543 |
| Total assets | <u>18,543</u> |
| Net cash assets: | |
| Deposits held and due to others. | <u>18,543</u> |
| Total net cash assets. | <u>\$ 18,543</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

STATEMENT OF CASH ADDITIONS, CASH DEDUCTIONS AND CHANGES IN NET CASH ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

| | Private-Purpose Trust |
|--|----------------------------------|
| Cash additions: | |
| Gifts and contributions | \$ 7,000 |
| Total cash additions | 7,000 |
| Cash deductions: | |
| Other | 10,292 |
| Total cash deductions. | 10,292 |
| Change in net cash assets | (3,292) |
| Net cash assets at beginning of year. | 21,835 |
| Net cash assets at end of year | \$ 18,543 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 1 - DESCRIPTION OF THE VILLAGE

The Village of Crestline (the "Village") is a statutory municipal corporation operating under the laws of the State of Ohio. The Village was incorporated as a Village on April 30, 2011, by proclamation of the Secretary of State of Ohio as a result of the federal census of 2010.

The Village operates under a mayor-council form of government. Legislative power is vested in a six member council, two of whom are elected to four-year terms with the remaining four members being elected to two-year terms. The Mayor is an elected official and the Fiscal Officer is appointed by the Mayor.

The Village is divided into various departments and financial management and control systems. Services provided include police protection, fire protection, street construction and maintenance, parks and recreation and water, sewer and ambulance services as well as a staff to provide support (i.e., payroll processing, accounts payable, and revenue collection) to the service providers. The operation and control of these activities is provided by the Village Council through the budgetary process and by the Mayor through administrative and managerial requirements and procedures.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

As discussed further in Note 2.D., these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB Statements issued after November 30, 1989 to its business-type activities and to its enterprise funds. The following are the more significant of the Village's accounting policies:

The Village's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". For financial reporting purposes, the Village's basic financial statements (BFS) include all funds, agencies, boards, commissions, and departments for which the Village is financially accountable. Financial accountability, as defined by the GASB, exists if the Village appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the Village. The Village may also be financially accountable for governmental organizations with a separately elected Governing Board, a Governing Board appointed by another government, or a jointly appointed board that is fiscally dependent on the Village. The Village also took into consideration other organizations for which the nature and significance of their relationship with the Village are such that exclusion would cause the Village's basic financial statements to be misleading or incomplete. Based upon the application of these criteria, the Village has no component units.

The Village participates in the Ohio Plan Risk Management, Inc., an insurance purchasing pool. This organization is further described in Note 9 to the basic financial statements.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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

B. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets - cash basis and a statement of activities - cash basis, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements – The statement of net assets - cash basis and the statement of activities - cash basis display information about the Village as a whole, except for fiduciary funds. These statements distinguish between those activities of the Village that are governmental and those that are considered business-type activities.

The government-wide statement of net assets - cash basis presents the cash balances of the governmental and business-type activities of the Village at year-end. The government-wide statement of activities - cash basis compares disbursements with program receipts for each segment of the business-type activities of the Village and for each function or program of the Village's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the 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. Receipts which are not classified as program receipts are presented as general receipts of the Village. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the Village.

Fund Financial Statements - Fund financial statements report detailed information about the Village. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The financial statements for governmental funds are a statement of assets and fund cash balances, and a statement of cash receipts, cash disbursements and changes in fund cash balances - cash basis which reports on the sources (i.e., receipts and other financing sources) and uses (i.e., disbursements and other financing uses) of the current financial resources.

The financial statements of proprietary funds are a statement of net assets - cash basis, and a statement of cash receipts, cash disbursements and changes in net cash assets - cash basis which presents increases (i.e., receipts) and decreases (i.e., disbursements) in net cash assets.

Proprietary funds distinguish operating transactions from nonoperating transactions. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating transactions of the Village's proprietary funds are charges for sales and services and personnel disbursements related to water, sewer and ambulance operations. All other receipts and disbursements not meeting these definitions are reported as nonoperating transactions.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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

C. Fund Accounting

The Village uses funds to maintain its financial records during the year. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts. The Village classifies each fund as either governmental, proprietary or fiduciary.

Governmental Funds - The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the Village's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported 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.

Street construction, maintenance and repair fund - This fund accounts for transactions relating to street maintenance and construction.

Community development block grant fund - This fund accounts for transactions relating to monies received from the Federal Government under the community development block grant program.

Capital improvements fund - This fund accounts for a portion of municipal income taxes designated for large equipment purchases.

Other governmental funds of the Village are used to account for (a) financial resources that are restricted, committed, or assigned to disbursements for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific receipt sources that are restricted or committed to a disbursement for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to disbursement for principal and interest.

Proprietary Funds - These funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Enterprise funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Village's major enterprise funds:

Water fund - This fund accounts for the provision of water treatment and distribution to residential and commercial users within the Village.

Sewer fund - This fund accounts for the provision of wastewater treatment service to residential and commercial users within the Village.

The Village has one nonmajor enterprise fund to account for the operations of providing ambulance services within the Village.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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

Fiduciary Funds - Fiduciary fund reporting focuses on net cash assets and changes in net cash 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 Village under a trust agreement for individuals, private organizations, or other governments and are not available to support the Village's own programs. The Village's private purpose trust fund accounts for resources provided to various organizations which are then generally used to benefit the community. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Village has no agency funds.

D. Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. The Village's basic financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section of the notes to the basic financial statements.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these basic financial statements. These statements include adequate disclosure of material matters, in accordance with the basis of accounting described above.

E. Budgetary Process

All funds, except agency funds, are required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget indicates the projected receipts and disbursements for those funds receiving tax monies. The certificate of estimated resources establishes a limit on the amount Village Council may appropriate. The appropriations ordinance is Village Council's authorization to spend resources and sets annual limits on disbursements at the level of control selected by Village Council. The legal level of control has been established by Village Council at the fund, department, personal services and other level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Village Council during the year.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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

F. Cash and Cash Equivalents

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

The Village has segregated bank accounts for departmental monies held separately from the Village's central bank account. These interest bearing depository accounts are presented as "cash in segregated accounts" on the basic financial statements. The Village also utilized a financial institution as trustee to service its mortgage revenue bonded debt as principal and interest payments came due during 2011 and in prior years. Money held by the trustee in U.S. government money market mutual funds had a balance of \$0 as of December 31, 2011.

During 2011, the Village's investments were limited to negotiable and nonnegotiable certificates of deposit (CDs) and federal agency securities. Investments are reported at cost. Investment procedures are restricted by provisions of the Ohio Revised Code. Interest receipts credited to the general fund during 2011 were \$16,102, including \$15,557 assigned from other Village funds. Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Capital Assets

Acquisition of property, plant and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets in the accompanying basic financial statements.

H. Compensated Absences

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 basis of accounting utilized by the Village (See Note 2.D.).

I. Long-term Obligations

Bonds and other long-term obligations are not recognized as a liability in the basic financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received and debt service disbursements for principal and interest when cash is paid.

J. Net Cash Assets

Net cash assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes primarily include resources restricted for security of persons and property. The Village first applies restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net cash assets are available.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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

K. Restricted Cash Assets

Cash assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted cash assets represent certain resources which are segregated from other resources of the Village to comply with various covenants established by bond financing agreements. These assets are generally held in separate accounts of the Village or by a trustee. The various covenants place restrictions on the use of these resources, require minimum balances to be maintained in certain accounts and establish annual amounts to be accumulated for specific purposes. The Village reported no restricted cash assets at December 31, 2011.

L. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursements for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement healthcare.

M. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general receipts. Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as nonoperating receipts/disbursements in proprietary funds.

N. Inventories of Materials and Supplies

On the cash basis of accounting, inventories of materials and supplies are recorded as disbursements when purchased. These items are not reported as assets in the basic financial statements.

O. Prepaid Items

On the cash basis of accounting, payments made to vendors for services that will benefit periods beyond December 31, 2011 are recorded as disbursements when paid. These items are not reported as assets in the basic financial statements.

P. Fund Cash Balance

Fund cash balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund cash balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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

Restricted - Fund cash balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund cash balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of Village Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund cash balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund cash balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund cash balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of Village Council, which includes giving the Fiscal Officer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund cash balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund cash balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Village applies restricted resources first when disbursements occur for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund cash balance is available. Similarly, within unrestricted fund cash balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements occur for purposes for which amounts in any of the unrestricted fund cash balance classifications could be used.

Q. 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 management and are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2011.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2011, the Village has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the Village.

B. Compliance

- i.* The Village did not approve permanent appropriations contrary to Ohio Revised Code Section 5705.38 for the year ended December 31, 2011.
- ii.* The Village did not certify the proper unencumbered fund cash balances or estimated resources in a certificate of available resources with the County Auditor contrary to Ohio Revised Code Section 5705.36 for the year ended December 31, 2011.
- iii.* The Village had disbursements exceeding appropriations at year end and throughout the year in noncompliance with Ohio Revised Code Sections 5705.41(B) and 5705.40.
- iv.* The Village did not properly certify disbursements in noncompliance with Ohio Revised Code Section 5705.41(D).
- v.* The Village did not timely file its annual report in noncompliance with Ohio Revised Code Section 117.38.

C. Budgetary Prior Period Adjustment

In prior years, certain funds that are legally budgeted in separate Village fund classifications were considered part of the general fund on a budgetary basis. The Village has elected to report only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund cash balance at January 1, 2011 is as follows:

| Budgetary Basis | <u>General Fund</u> |
|-------------------------------------|---------------------|
| Balance at December 31, 2010 | \$ 44,109 |
| Funds budgeted elsewhere | <u>(4,515)</u> |
| Restated balance at January 1, 2011 | <u>\$ 39,594</u> |

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The statements of cash receipts, cash disbursements and changes in fund cash balance - budget and actual (budgetary basis) presented for the general fund, the street construction, maintenance and repair fund and the 2010 Community Housing Improvement Program grant fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a component of fund cash balance (cash basis). At December 31, 2011, the encumbrances outstanding at year end (budgetary basis) amounted to \$1,948 for the general fund and \$3,774 for the street construction, maintenance and repair fund. During 2011, the Village did not file the necessary budgetary documentation with the County Auditor as described in Note 3.B. and therefore only actual amounts are presented for the budgetary statements.

NOTE 5 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Village 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 Village 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 Village Council 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;
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;

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

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 Village'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 Village 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 Village, 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 Village or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year end, the Village had \$1,000 in undeposited cash on hand which is included on the basic financial statements of the Village as part of "equity in pooled cash and cash equivalents". This amount is not included in the Village's depository balance below.

B. Cash in Segregated Accounts

At year end, the Village had \$12,006 deposited with a financial institution for monies related to the Mayor's Court, police auxiliary and summer food service program which is reported as components of the Village's general fund and the remaining \$3,135 related to DARE is reported in other governmental funds. These amounts are included in the Village's depository balance below.

C. Deposits with Financial Institutions

At December 31, 2011, the carrying amount of all Village deposits was \$949,883. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2011, all of the Village's bank balance of \$1,118,444 was covered by the FDIC.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

D. Investments

As of December 31, 2011, the Village had the following investments and maturities:

| <u>Investment type</u> | <u>Carrying Value</u> | <u>Investment Maturities</u> | | | | |
|------------------------|-----------------------|------------------------------|---------------------------|----------------------------|----------------------------|-----------------------------------|
| | | <u>6 Months or Less</u> | <u>7 to 12 Months</u> | <u>13 to 18 Months</u> | <u>19 to 24 Months</u> | <u>Greater than 24 Months</u> |
| FNMA | \$ 34,642 | \$ - | \$ - | \$ - | \$ - | \$ 34,642 |
| FHLMC | 235,019 | 11,457 | 223,562 | - | - | - |
| Negotiable CD's | <u>680,000</u> | <u>85,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>595,000</u> |
| Total | <u>\$ 949,661</u> | <u>\$ 96,457</u> | <u>\$ 223,562</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 629,642</u> |

The weighted average length to maturity of the investments at December 31, 2011 is 2.14 years.

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 Village's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The Village's investments in federal agency securities carry a rating of AA+ by Standard & Poor's and Aaa by Moody's Investor Services. The Village's investment policy does not specifically address credit risk beyond requiring the Village to only invest in securities authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the Village's name. The Village 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 Village or qualified trustee.

Concentration of Credit Risk: The Village 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 Village at December 31, 2011:

| <u>Investment type</u> | <u>Carrying Value</u> | <u>% of Total</u> |
|------------------------|-----------------------|-------------------|
| FNMA | \$ 34,642 | 3.65 |
| FHLMC | 235,019 | 24.75 |
| Negotiable CD's | <u>680,000</u> | <u>71.60</u> |
| Total | <u>\$ 949,661</u> | <u>100.00</u> |

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

E. Reconciliation of Cash and Investments to the Statement of Net Cash 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 cash assets as of December 31, 2011:

Cash and investments per note

| | |
|-----------------------------|---------------------|
| Carrying amount of deposits | \$ 949,883 |
| Investments | 949,661 |
| Cash on hand | <u>1,000</u> |
| Total | <u>\$ 1,900,544</u> |

Cash and investments per statement of net cash assets

| | |
|----------------------------|---------------------|
| Governmental activities | \$ 546,112 |
| Business-type activities | 1,335,889 |
| Private-purpose trust fund | <u>18,543</u> |
| Total | <u>\$ 1,900,544</u> |

NOTE 6 - MUNICIPAL INCOME TAXES

The Village levies and collects an income tax of 2% based on all income earned within the Village as well as on the income of residents earned outside the Village. In the latter case, the Village allows a credit of 75% of the tax paid to another municipality. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. The Village's income tax is distributed to the general fund, the street construction, maintenance and repair fund and the capital improvements fund.

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the Village. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 7 - PROPERTY TAXES - (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the Village of Crestline. The County Auditor periodically remits to the Village its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2011 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable is offset by unearned revenue since the current taxes are not levied to finance 2011 operations and the collection of delinquent taxes is offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes are recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred. For 2011, the Village's financial statements are presented on the cash basis of accounting and therefore the Village does not record a receivable for property taxes either on a modified accrual or full accrual basis of accounting.

The full tax rate for all Village operations for the year ended December 31, 2011 was \$4.10 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2011 property tax receipts were based are as follows:

| | |
|---------------------------|-----------------------------|
| <u>Real property</u> | |
| Residential/agricultural | \$ 40,500,920 |
| Commercial/industrial | 9,644,380 |
| <u>Public utility</u> | |
| Real | 206,520 |
| Personal | <u>1,358,490</u> |
| Total assessed value | <u><u>\$ 51,710,310</u></u> |

NOTE 8 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2011, consisted of the following, as reported in the fund financial statements:

| | |
|-------------------------------------|------------|
| <u>Transfer from water fund to:</u> | |
| Sewer fund | \$ 115,219 |

Transfers are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer from the water fund to the sewer fund was in accordance with Ohio Revised Code Section 743.05.

Interfund transfers between enterprise funds are eliminated on the statement of activities - cash basis.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 9 - RISK MANAGEMENT

A. Risk Pool Membership

Prior to 2009, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and,
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.50% (40.00% through October 31, 2011 and 17.50% through October 31, 2010) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 782 and 761 members as of December 31, 2011 and 2010, respectively. The Village participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 74 and 65 members as of December 31, 2011 and 2010, respectively. The Village does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 9 - RISK MANAGEMENT - (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and members' equity at December 31, 2011 for both OPRM and OPHC:

| | 2011 | | 2010 | |
|-----------------|--------------------|------------------|--------------------|------------------|
| | OPRM | OPHC | OPRM | OPHC |
| Assets | \$12,501,280 | \$1,459,791 | \$12,036,541 | \$1,355,131 |
| Liabilities | (5,328,761) | (1,283,527) | (4,845,056) | (1,055,096) |
| Members' Equity | <u>\$7,172,519</u> | <u>\$176,264</u> | <u>\$7,191,485</u> | <u>\$300,035</u> |

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, www.ohioplan.org.

B. Employee Health Benefits

The Village provides employee medical and dental insurance. Medical insurance is provided by Anthem and dental is provided by Delta Dental. The risk of loss transfers entirely to the insurance carriers. The Village pays 75% of the premiums for health insurance and 100% of the premiums for dental insurance.

There has been no significant reduction in insurance coverage from 2010 and no insurance settlement has exceeded insurance coverage during the last three years.

NOTE 10 - PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 10 - PENSION PLANS - (Continued)

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and contribution rates were consistent across all three plans. The 2011 member contribution rates were 10.00% for members. The Village's contribution rate for 2011 was 14.00% of covered payroll.

The Village's contribution rate for pension benefits for members in the Traditional Plan for 2011 was 10.00%. The Village's contribution rate for pension benefits for members in the Combined Plan for 2011 was 7.95%. The Village's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$90,443, \$80,795, and \$56,483, respectively; 91.28% has been contributed for 2011 and 100% has been contributed for 2010 and 2009. Contributions to the member-directed plan for 2011 were \$9,656 made by the Village and \$6,897 made by the plan members.

B. Ohio Police and Fire Pension Fund

Plan Description - The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the Village is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2011, the portion of the Village's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The Village's required contributions for pension obligations to OP&F for police officers and firefighters were \$47,199 and \$54,905 for the year ended December 31, 2011, \$47,380 and \$53,073 for the year ended December 31, 2010, and \$47,558 and \$52,094, for the year ended December 31, 2009. The full amount has been contributed for 2010 and 2009. 73.06% has been contributed for police and 69.18% has been contributed for firefighters for 2011.

NOTE 11 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 11 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2011, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2011 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2011 was 6.05%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The Village's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$36,174, \$46,061, and \$40,841, respectively; 91.28% has been contributed for 2011 and 100% has been contributed for 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

Plan Description - The Village contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 11 - POSTRETIREMENT BENEFIT PLANS - (Continued)

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One account is for health care benefits under an Internal Revenue Code Section 115 trust and the other account is for Medicare Part B reimbursements administered as an Internal Revenue Code Section 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$24,987 and \$21,484 for the year ended December 31, 2011, \$25,083 and \$20,768 for the year ended December 31, 2010, and \$25,178 and \$20,385, for the year ended December 31, 2009. The full amount has been contributed for 2010 and 2009. 73.06% has been contributed for police and 69.18% has been contributed for firefighters for 2011.

NOTE 12 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws.

Village employees earn and accumulate vacation at varying rates depending on length of service. Current policy credits vacation leave on the employee's anniversary date. Employees are paid for 100 percent of earned unused vacation leave upon termination.

Sick leave is earned at various rates as defined by Village policy and union contracts. All employees with ten or more years of full-time service with the Village, who elect to retire, are entitled to receive one-third of the value of their accumulated unused sick leave up to a maximum of 320 hours, except for the police and fire departments. Police department employees are entitled to receive one-half of the value of their accumulated unused sick leave up to a maximum of 1,440 hours. Fire department employees are entitled to receive one-third of the value of their accumulated unused sick leave.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 13 - LONG-TERM OBLIGATIONS

At December 31, 2010, long-term obligations were restated to account for the reclassification of the short-term portion of the sewer improvement notes, series 2010 in the business-type activities. This portion of the notes is detailed in Note 14. The balances were also restated due to the equipment acquisition bonds being reclassified from a long-term obligation of the governmental activities to a long-term obligation of the business-type activities to properly reflect the fund using the equipment. These adjustments are reflected in the long-term obligations beginning balances. The Village's long-term obligations activity for the year ended December 31, 2011, was as follows:

| | | Restated Balance Outstanding 12/31/10 | Issued | Retired | Balance Outstanding 12/31/11 | Amount Due in One Year |
|--|------------------|--|-------------------|---------------------|------------------------------------|------------------------------|
| Governmental activities: | | | | | | |
| <u>Other long-term obligations</u> | | | | | | |
| Lease purchase agreement payable | | \$ 82,962 | \$ - | \$ (14,984) | \$ 67,978 | \$ 15,749 |
| Police and fire pension liability | | 101,423 | - | (1,200) | 100,223 | 2,529 |
| Total other long-term obligations | | <u>184,385</u> | <u>-</u> | <u>(16,184)</u> | <u>168,201</u> | <u>18,278</u> |
| Total governmental activities long-term liabilities | | <u>\$ 184,385</u> | <u>\$ -</u> | <u>\$ (16,184)</u> | <u>\$ 168,201</u> | <u>\$ 18,278</u> |
| | | | | | | |
| | Interest Rate | Restated Balance Outstanding 12/31/10 | Issued | Retired | Balance Outstanding 12/31/11 | Amount Due in One Year |
| Business-type activities: | | | | | | |
| <u>Equipment acquisition bonds</u> | | | | | | |
| | 4.59% | \$ 75,462 | \$ - | \$ (15,124) | \$ 60,338 | \$ 15,836 |
| <u>Mortgage revenue bonds</u> | | | | | | |
| 1996 Water bonds | 5.8-5.9% | 150,000 | - | (150,000) | - | - |
| OWDA loan - sewer planning | 1.00% | - | 97,578 | - | 97,578 | - |
| <u>OPWC loans</u> | | | | | | |
| Wiley Street waterline replacement | | 112,994 | - | (3,897) | 109,097 | 3,896 |
| West side storm sewer | | 373,936 | - | (24,125) | 349,811 | 24,125 |
| Cloverdale Ave. sewer replacement | | 47,205 | - | (2,860) | 44,345 | 2,861 |
| Total OPWC loans | | <u>534,135</u> | <u>-</u> | <u>(30,882)</u> | <u>503,253</u> | <u>30,882</u> |
| <u>Notes</u> | | | | | | |
| Sewer improvement notes series 2011 | 5.75% | - | 698,000 | - | 698,000 | 698,000 |
| Sewer improvement notes series 2010 | 5.125% | 698,000 | - | (698,000) | - | - |
| Total notes | | <u>698,000</u> | <u>698,000</u> | <u>(698,000)</u> | <u>698,000</u> | <u>698,000</u> |
| <u>Other long-term obligations</u> | | | | | | |
| Lease purchase agreement | | 237,511 | - | (41,927) | 195,584 | 121,657 |
| Other long-term obligations | | 237,511 | - | (41,927) | 195,584 | 121,657 |
| Total business-type long term liabilities | | <u>\$ 1,695,108</u> | <u>\$ 795,578</u> | <u>\$ (935,933)</u> | <u>\$ 1,554,753</u> | <u>\$ 866,375</u> |

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

Mortgage Revenue Bonds

Mortgage revenue bonds are special obligations of the Village secured by a mortgage upon all assets of the respective system. These bonds are payable solely from the gross receipts of the respective system after provisions for reasonable operating and maintenance disbursements. The bond indentures have certain restrictive covenants and principally require that bond reserve funds be maintained and charges for services to customers be in amounts sufficient to satisfy the obligations under the indenture agreements. In addition, special provisions exist regarding covenant violations, redemptions of principal and maintenance of properties.

The water mortgage revenue bonds were issued in 1996 to finance improvements to the water system. Payment of the bonds is secured by a pledge of the net revenues of the water enterprise fund. The balance was paid in full during 2011.

Sewer Improvement Notes

The sewer improvement notes were issued on March 23, 2011 to retire the 2010 notes issued for improving the quality and capacity of treatment and retention capacity at the wastewater treatment plant by constructing an aeration tank, sludge holding tanks, and providing pumping, piping, and electrical facilities. They were issued at a 5.75% interest rate and matured on March 22, 2012.

Upon maturity of the notes, the Village issued sewer system improvement bonds, series 2012 (See Note 18).

Lease Purchase Agreements

Lease purchase agreements will be paid from the fund that maintains custody of the related assets (See Note 15).

Police and Fire Pension Liability

The Village pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and fire personnel in 1967. The liability is payable semiannually from the general fund.

OPWC Loans

Ohio Public Works Commission (OPWC) loans consist of money owed to the OPWC for the replacement of the West side storm sewer, for the replacement of the Cloverdale avenue sewer, and for the replacement of the Wiley Street waterlines. The loans are interest free. OPWC loans are payable from the gross receipts of the water and sewer enterprise funds.

OWDA Loans

On December 9, 2010, the Village entered into a loan agreement in the amount of \$102,453 with the Ohio Water Development Authority (OWDA) for a sewer project. As of December 31, 2011, the Village has received disbursements of \$97,578 from the OWDA, but has not made any principal and interest payments on this loan agreement. The loan was issued at a 1.00% interest rate. Additional disbursements are expected to be made during 2012 and payments on the loan are expected to become due beginning in 2012. This OWDA loan will be payable from the sewer enterprise fund.

On December 8, 2011, the Village entered into a loan agreement in the amount of \$319,630 with the OWDA for a sewer project. As of December 31, 2011, the Village has not received any disbursements from the OWDA or made any principal and interest payments on this loan agreement. The loan was issued at a 1.00% interest rate. Disbursements are expected to be made beginning in 2012. This OWDA loan will be payable from the sewer enterprise fund.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

Equipment Acquisition Bonds

On July 28, 2010, the Village issued equipment acquisition bonds for the purpose of purchasing a new backhoe. This long-term obligation was originally recorded in the governmental activities, but has been reclassified as a long-term obligation of the business-type activities at December 31, 2010. The bonds were issued in the amount of \$81,550 and bear an interest rate of 4.59%. The bonds mature on July 28, 2015 and will be repaid from the water and sewer enterprise funds.

Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the Village'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 Village's legal debt margin calculation excludes 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 statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2011, the Village's total debt margin was \$5,504,787 and the unvoted debt margin was \$2,844,067.

The following is a summary of the Village's future annual debt service requirements for governmental activities:

| Year Ending December 31, | <u>Governmental Activities</u> | | |
|-----------------------------|--------------------------------|------------------|-------------------|
| | <u>Police and Fire Pension</u> | | |
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2012 | \$ 2,529 | \$ 4,182 | \$ 6,711 |
| 2013 | 2,637 | 4,072 | 6,709 |
| 2014 | 2,751 | 3,959 | 6,710 |
| 2015 | 2,869 | 3,841 | 6,710 |
| 2016 | 2,992 | 3,718 | 6,710 |
| 2017 - 2021 | 17,003 | 16,547 | 33,550 |
| 2022 - 2026 | 20,981 | 12,567 | 33,548 |
| 2027 - 2031 | 25,890 | 7,657 | 33,547 |
| 2032 - 2035 | 22,571 | 3,963 | 26,534 |
| Total | <u>\$ 100,223</u> | <u>\$ 60,506</u> | <u>\$ 160,729</u> |

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

The Village's future annual debt service requirements payable from the enterprise funds are as follows:

| Year Ending December 31, | Business-type Activities | | | | | |
|-----------------------------|-----------------------------|-----------------|------------------|-------------------|-------------|-------------------|
| | Equipment Acquisition Bonds | | | OPWC Loans | | |
| | Principal | Interest | Total | Principal | Interest | Total |
| 2012 | \$ 15,836 | \$ 2,480 | \$ 18,316 | \$ 30,882 | \$ - | \$ 30,882 |
| 2013 | 16,596 | 1,719 | 18,315 | 30,882 | - | 30,882 |
| 2014 | 17,385 | 930 | 18,315 | 30,882 | - | 30,882 |
| 2015 | 10,521 | 163 | 10,684 | 30,882 | - | 30,882 |
| 2016 | - | - | - | 30,882 | - | 30,882 |
| 2017 - 2021 | - | - | - | 154,411 | - | 154,411 |
| 2022 - 2026 | - | - | - | 142,349 | - | 142,349 |
| 2027 - 2031 | - | - | - | 20,912 | - | 20,912 |
| 2032 - 2036 | - | - | - | 19,482 | - | 19,482 |
| 2037 - 2039 | - | - | - | 11,689 | - | 11,689 |
| Total | <u>\$ 60,338</u> | <u>\$ 5,292</u> | <u>\$ 65,630</u> | <u>\$ 503,253</u> | <u>\$ -</u> | <u>\$ 503,253</u> |

The Village's OWDA loans have not been fully disbursed as of December 31, 2011 and therefore no amortization schedule is available at year end.

NOTE 14 - NOTES PAYABLE

Changes in the Village's note activity for the year ended December 31, 2011 were as follows:

| | Interest Rate | Restated | Issued | Retired | Balance |
|-------------------------------------|------------------|-------------------------|--------|-------------|-------------------------|
| | | Outstanding 12/31/10 | | | Outstanding 12/31/11 |
| <u>Enterprise fund notes</u> | | | | | |
| Sewer improvement notes series 2010 | 5.125% | \$ 65,000 | \$ - | \$ (65,000) | \$ - |

All notes were backed by the full faith and credit of the Village.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 15 - LESSEE DISCLOSURES

A. Lease Purchase Agreement - Governmental Activities

In a prior year the Village entered into a lease purchase agreement for a street sweeper. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Principal payments in 2011 were \$14,984 and were made from the capital improvements fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2011:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|---|------------------|
| 2012 | \$ 19,215 |
| 2013 | 19,215 |
| 2014 | 19,215 |
| 2015 | <u>19,215</u> |
| Total | <u>76,860</u> |
| Less: amount representing interest | <u>(8,882)</u> |
| Present value of net minimum lease payments | <u>\$ 67,978</u> |

B. Lease Purchase Agreement - Business-type Activities

In a prior year, the Village entered into lease purchase agreements for an ambulance and sewer equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Principal payments in 2011 were \$28,387 and \$13,540 and were made from the sewer fund and ambulance fund (a nonmajor enterprise fund), respectively.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2011:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|---|-------------------|
| 2012 | \$ 131,305 |
| 2013 | 20,965 |
| 2014 | 20,964 |
| 2015 | 20,965 |
| 2016 | <u>20,965</u> |
| Total | <u>215,164</u> |
| Less: amount representing interest | <u>(19,580)</u> |
| Present value of net minimum lease payments | <u>\$ 195,584</u> |

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 16 - FUND CASH BALANCE

Fund cash balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund cash balance for the major governmental funds and all other governmental funds are presented below:

| Fund cash balance | General | Street Construction, Maintenance and Repair | Community Development Block Grant | Capital Improvements | Nonmajor Governmental Funds | Total Governmental Funds |
|--------------------------------|------------------|--|--|-------------------------|-----------------------------------|--------------------------------|
| Nonspendable: | | | | | | |
| Unclaimed monies | \$ 4,569 | \$ - | \$ - | \$ - | \$ - | \$ 4,569 |
| Total nonspendable | <u>4,569</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,569</u> |
| Restricted: | | | | | | |
| Capital projects | - | - | - | - | 23,495 | 23,495 |
| Debt service | - | - | - | - | 75,204 | 75,204 |
| Transportation projects | - | 62,367 | - | - | 18,767 | 81,134 |
| Community environment programs | - | - | 32,923 | - | 6,195 | 39,118 |
| Other purposes | <u>7,067</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>21,011</u> | <u>28,078</u> |
| Total restricted | <u>7,067</u> | <u>62,367</u> | <u>32,923</u> | <u>-</u> | <u>144,672</u> | <u>247,029</u> |
| Committed: | | | | | | |
| Capital projects | - | - | - | 184,302 | 42,024 | 226,326 |
| Other purposes | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>9,085</u> | <u>9,085</u> |
| Total committed | <u>-</u> | <u>-</u> | <u>-</u> | <u>184,302</u> | <u>51,109</u> | <u>235,411</u> |
| Assigned: | | | | | | |
| Subsequent year appropriation | <u>18,475</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>18,475</u> |
| Total assigned | <u>18,475</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>18,475</u> |
| Unassigned | <u>40,628</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>40,628</u> |
| Total fund cash balances | <u>\$ 70,739</u> | <u>\$ 62,367</u> | <u>\$ 32,923</u> | <u>\$ 184,302</u> | <u>\$ 195,781</u> | <u>\$ 546,112</u> |

NOTE 17 - CONTINGENCIES

A. Litigation

At December 31, 2011, the Village was not involved in any lawsuits that would have a material adverse effect on the Village's financial position.

B. Federal and State Grants

The Village received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the Village believes such disallowances, if any, would be immaterial.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 18 - SUBSEQUENT EVENT

On May 14, 2012, the Village issued \$698,000 in sewer system improvement bonds to replace the sewer improvement notes that were rolled over in 2011. The bonds bear an interest rate of 3.75% and mature on June 1, 2019.

On March 12, 2012, Ms. Carol Wagner became the Fiscal Officer for the Village of Crestline.

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SUPPLEMENTARY DATA

VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

| FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE | CFDA NUMBER | PASS-THROUGH GRANT NUMBER | (A) CASH FEDERAL DISBURSEMENTS |
|---|----------------|---------------------------------|---|
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASSED THROUGH THE OHIO DEPARTMENT OF DEVELOPMENT | | | |
| Community Development Block Grants/State's Program | 14.228 | A-C-10-2BC-1 | \$ 278,856 |
| (B) HOME Investment Partnerships Program | 14.239 | A-C-10-2BC-2 | 184,463 |
| Total U.S. Department of Housing and Urban Development | | | 463,319 |
| U.S. DEPARTMENT OF TRANSPORTATION PASSED THROUGH THE OHIO DEPARTMENT OF TRANSPORTATION | | | |
| Highway Planning and Construction | 20.205 | 79421 | 1,372 |
| Highway Planning and Construction | 20.205 | 83139 | 95,816 |
| Total U.S. Department of Transportation | | | 97,188 |
| Total Federal Financial Assistance | | | \$ 560,507 |

Notes to the Schedule of Expenditures of Federal Awards:

(A) The Schedule of Expenditures of Federal Awards reports the Village of Crestline's federal award programs' disbursements. The Schedule has been prepared on the cash basis of accounting.

(B) The Village is required to contribute non-federal funds (matching funds) to support federally funded programs. The Village has complied with the matching requirements. The expenditure of non-federal matching funds is not included in this schedule.

Note: The Village has a revolving loan fund cash balance of \$16,266 for CDBG Housing program which is subject to compliance requirements set forth by the awarding agency at December 31, 2011. The Village incurred no administrative or other costs during 2011.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Village of Crestline
100 North Seltzer Street
Crestline, Ohio 44827

To the Members of Council and Mayor:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Crestline, Crawford County, Ohio, as of and for the year ended December 31, 2011, which collectively comprise the Village of Crestline's basic financial statements and have issued our report thereon dated July 30, 2012, wherein we noted the Village of Crestline uses a comprehensive accounting basis other than accounting principles generally accepted in the United States of America and the Village of Crestline adopted Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Crestline's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village of Crestline's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village of Crestline's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and responses we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village of Crestline's financial statements will not be prevented, or detected and timely corrected. We considered findings 2011-VOC-001 through 2011-VOC-005 described in the accompanying schedule of findings and responses to be material weaknesses.

Members of Council and Mayor
Village of Crestline

Compliance and Other Matters

As part of reasonably assuring whether the Village of Crestline's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed six instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2011-VOC-005 through 2011-VOC-010.

We also noted certain matters not requiring inclusion in this report that we reported to the Village of Crestline's management in a separate letter dated July 30, 2012.

The Village of Crestline's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Village of Crestline's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the management and Council of the Village of Crestline, federal awarding agencies and pass-through entities, and others within the Village of Crestline. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
July 30, 2012



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Accountants' Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Compliance Required by *OMB Circular A-133*

Village of Crestline
100 North Seltzer Street
Crestline, Ohio 44827

To the Members of Council and Mayor:

Compliance

We have audited the compliance of the Village of Crestline, Crawford County, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Village of Crestline's major federal programs for the year ended December 31, 2011. The summary of auditor's results section of the accompanying schedule of findings and responses identifies the Village of Crestline's major federal programs. The Village of Crestline's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Village of Crestline's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Village of Crestline's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village of Crestline's compliance with these requirements.

In our opinion, the Village of Crestline complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

The Village of Crestline's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village of Crestline's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Village of Crestline's internal control over compliance.

Members of Council and Mayor
Village of Crestline

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

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

We intend this report solely for the information and use of the management and Council of the Village of Crestline, federal awarding agencies and pass-through entities, and others within the Village of Crestline. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.
July 30, 2012

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011**

| 1. SUMMARY OF AUDITOR'S RESULTS | | |
|--|--|---|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unqualified |
| <i>(d)(1)(ii)</i> | Were there any material control weakness reported at the financial statement level (GAGAS)? | Yes |
| <i>(d)(1)(ii)</i> | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| <i>(d)(1)(iv)</i> | Were there any material internal control weakness reported for the major federal programs? | No |
| <i>(d)(1)(iv)</i> | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| <i>(d)(1)(v)</i> | Type of Major Program's Compliance Opinion | Unqualified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under § .510(a)? | No |
| <i>(d)(1)(vii)</i> | Major Program: | Community Development Block Grants/State's Program, CFDA #14.228 and HOME Investment Partnerships Program, CFDA #14.239 |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A/B Programs | Type A: >\$300,000 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee? | No |

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011**

| | |
|---|--------------|
| 2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS | |
| Finding Number | 2011-VOC-001 |

Material Weakness - Financial Statement Presentation

The Village had receipts and disbursements related to grants which were not properly accounted for in separate funds within the accounting system. Material adjustments were made to the financial statements for the year ended December 31, 2011 to properly state receipts and disbursements and fund balances for each grant fund for the year then ended.

The audited financial statements and Village records have been adjusted for the misstatements identified during the audit. The audit adjustments had the following effect on each fund:

Community Development Block Grant (Major Special Revenue fund) - An adjustment was made to increase intergovernmental receipts and community environment disbursements by \$284,497 and \$274,487, respectively. The adjustment resulted in an increase in cash fund balance of \$10,010.

Community Housing Improvement Program (Nonmajor Special Revenue fund) - An adjustment was made to decrease intergovernmental receipts and community environment disbursements by \$284,497 and \$274,487, respectively. The adjustment resulted in a decrease in cash fund balance of \$10,010.

In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made. The present system lacks fiscal oversight and approvals and fails to meet the above expectations.

We recommend the Village consult with their auditors, an accounting/consulting firm, the Village Handbook and the Ohio Municipal League and consider obtaining an overall review of the financial statements and notes prior to submitting to the auditor as an additional internal control to help ensure accurate financial reporting.

Client Response: The Fiscal Officer will work to provide a sound fiscal environment for the Village and has implemented policies and procedures to help with financial statement presentation.

| | |
|----------------|--------------|
| Finding Number | 2011-VOC-002 |
|----------------|--------------|

Material Weakness - Fiscal Office

During the year the Village had an unforeseen situation arise in the fiscal office which left the Village in a crisis mode.

An entity should have in place a formal plan to implement in the case of an unforeseen absence in their fiscal office. A plan should allow for a continual processing of financial transactions, generating financial reports and procedures for maintaining this information.

Routine and general information was not easily accessible or available immediately during the audit.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011**

| 2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued) | |
|---|----------------------------|
| Finding Number | 2011-VOC-002 - (Continued) |

We recommend the Village implement policies and procedures to follow should an emergency change in management occur in the future, detailing temporary distribution of financial processing responsibilities, proper procedures for each duty, and documentation required to be maintained. This will ensure the fiscal office would continue to operate in an efficient and effective manner with little interruption, should an emergency change in management occur. This will also help with locating pertinent information and supporting documentation in connection with the audit of the annual financial statements.

Client Response: The Fiscal Officer is aware of the requirements and will make an effort to be more timely for the year end financial report in the future.

| | |
|----------------|--------------|
| Finding Number | 2011-VOC-003 |
|----------------|--------------|

Material Weakness - Payroll Internal Controls

Entities require strong controls over the payroll process to ensure payments are authorized and for proper public purpose. These internal controls should ensure proper review and approval of employee timesheets prior to payment.

The Village lacks certain proper authorization internal controls from certain department heads during the payroll process. 58% of the payroll disbursements examined had no indication of supervisory approval on the submitted timesheets for hourly employees.

Lack of such internal controls puts the Village at risk of overpaying employees for time worked and the potential for inaccurate leave balances, as absences are also indicated on the timesheets that lack supervising signature of approval.

We recommend the Village require proper authorization from department heads indicating review and approval of timesheets prior to a payroll payment being made.

Client Response: The Village has had turnover in the fiscal position. The Village will try to implement these internal controls during 2012.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011**

| 2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued) | |
|---|--------------|
| Finding Number | 2011-VOC-004 |

Material Weakness - Budgetary Monitoring Controls

Entities require strong controls over the budgetary Ohio Revised Code compliance requirements. These internal controls should provide monitoring over compliance with the applicable budgetary Ohio Revised Code Sections.

The Village lacks monitoring controls over completing the necessary paperwork annually to be in compliance with the applicable budgetary Ohio Revised Code compliance sections.

Lack of such internal controls facilitates the Village's noncompliance with certain rules and regulations and could facilitate over spending of available monies. In addition, it could inhibit the financial operations of the Village.

We recommend the Village consider implementing a 'due date' system that denotes significant budgetary filing requirements. We further recommend the Village Council designate a council member to oversee the implementation and compliance with this system. This will help ensure all required documents are properly approved and submitted as required in a timely basis.

Client Response: The Village has had turnover in the fiscal office. The Village will try to implement these internal controls during 2012.

| | |
|----------------|--------------|
| Finding Number | 2011-VOC-005 |
|----------------|--------------|

Noncompliance/Material Weakness - Financial Statement Reporting

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

The required report was due at the end of February, 29, 2012. The Village received an extension to file until the end of April, 2012; however, the report was not completed and filed until June 22, 2012.

Failure to prepare timely financial statements may result in the Village being fined or other administrative remedies.

Client Response: Due to the change over in personnel, we had limited resources to provide information for a timely completion. We are properly staffed now and are aware of the deadlines and don't foresee untimely filing in the future.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011**

| 2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued) | |
|---|--------------|
| Finding Number | 2011-VOC-006 |

Ohio Revised Code Section 5705.38 requires the annual appropriation measure to be passed on or about the first day of each fiscal year. Temporary appropriations may be adopted until April 1 if the taxing authority wishes to postpone the passage of the annual appropriation measure until the county budget commission sends out the amended certificate based on year end balances. In addition, the Village appropriation measure is the foundation of the Village's anticipated activities for any given year.

The Village could not provide evidence of any Council approved or certified permanent appropriations.

While the Village did not spend more monies that actually available, the lack of evidence of appropriations may hinder its ability to effectively budget and monitor disbursements.

We recommend that Council adopt procedures for approving the appropriation measures properties and include these procedures in an accounting policies and procedures manual. We recommend that the Fiscal Officer develop a 'due date' system that includes all significant budgeting filing requirements. This would include the evidence of passage of temporary or permanent appropriation measures prior to incurring disbursements.

Client Response: The Village has had turnover in the fiscal office. We are actively seeking to resolve this.

| | |
|----------------|--------------|
| Finding Number | 2011-VOC-007 |
|----------------|--------------|

Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure be made by Council resolution and comply with the same provisions of the law as used in making the original appropriations.

Disbursements exceeded appropriations in all funds due to the Village not timely or properly approving permanent appropriations.

By not timely and properly modifying the Village's appropriations, the Village is not adequately monitoring appropriations versus disbursements. With disbursements exceeding appropriations, overspending may occur which may result in a negative fund balance.

We recommend that the Village comply with Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring disbursements so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary, subsequent to the passage of permanent appropriations.

Client Response: The Village has had turnover in the fiscal office. We are actively seeking to resolve this.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011**

| 2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued) | |
|---|--------------|
| Finding Number | 2011-VOC-008 |

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

The Village had disbursements exceeding appropriations in all funds during the year due to not passing an appropriation measure.

With disbursements exceeding appropriations, the Village is expending monies that have not been appropriated and approved by the Village Council. This may result in unnecessary purchases or overspending which may lead to a fund deficit.

We recommend that the Village comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring disbursements so they do not exceed lawful appropriations and amending the budget prior to year end. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary, subsequent to the passage of permanent appropriations.

Client Response: The Village has had turnover in the fiscal office. We are actively seeking to resolve this.

| | |
|----------------|--------------|
| Finding Number | 2011-VOC-009 |
|----------------|--------------|

Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract 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 encumbrances.

The Village did not properly certify disbursements due to not passing any appropriations.

Without certification, the Village may expend more funds than available in the Treasury, in the process of collection or the funds appropriated. It may also result in unnecessary purchases.

We recommend that permanent appropriations be passed annually and evidenced in Council minutes. Subsequent to the passage of permanent appropriations, we recommend that all orders or contracts involving the expenditure of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. The Village should also consider using "Then" and "Now" certificates where applicable.

Client Response: The Village has had turnover in the fiscal office. We are actively seeking to resolve this.

| | |
|----------------|--------------|
| Finding Number | 2011-VOC-010 |
|----------------|--------------|

Ohio Revised Code Section 5705.36, in part, requires Fiscal Officers to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The Village did not certify the proper unencumbered fund cash balances or estimated resources in a certificate of available resources to the County at January 1, 2011.

VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO

SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011

| 2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued) | |
|---|----------------------------|
| Finding Number | 2011-VOC-010 - (Continued) |

The Village is not properly certifying its audited balances to the appropriate authorities as required by law.

We recommend that the Village consult the Ohio Compliance Supplement, the Village Officer's manual and its auditors to ensure that Village fund balances agree to audited reports. This will enable the county auditor to perform the proper certification with accurate information. This will in turn allow the Village to properly appropriate funds within its available resources.

Client Response: The Village has had turnover in the fiscal office. We are actively seeking to resolve this.

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| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS |
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None

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|-----------------------|---|-------------------------|--|
| 2010-COC-001 | <u>Significant Deficiency - Debt Note Restatement</u> - Presented financial statements and notes are required to be free of material misstatements. | Yes | N/A |
| 2010-COC-002 | Ohio Revised Code Section 117.38 provides each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38. | No | Repeated as finding 2011-VOC-005 |
| 2010-COC-003 | Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure must be made by Council resolution and comply with the same provisions of the law as used in making the original appropriations. | No | Repeated as finding 2011-VOC-007 |
| 2010-COC-004 | Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated. | No | Repeated as finding 2011-VOC-008 |



Dave Yost • Auditor of State

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
DECEMBER 27, 2012