



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF CRESTLINE
CRAWFORD COUNTY

REGULAR AUDIT

For the Year Ended December 31, 2018
Fiscal Year Audited Under GAGAS: 2018

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OHIO AUDITOR OF STATE
KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of the Village of Crestline, Crawford County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2018 through December 31, 2018. 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 "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

September 30, 2019

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VILLAGE OF CRESTLINE
CRAWFORD COUNTY

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INDEPENDENT AUDITOR'S REPORT

Village of Crestline
Crawford County
100 N. Seltzer Street
Crestline, Ohio 44827

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Crestline, Crawford County, Ohio (the Village) as of and for the year ended December 31, 2018.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018, and the respective changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Crestline, Crawford County as of December 31, 2018, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2019, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



BHM CPA Group, Inc.
Piketon, Ohio
July 31, 2019

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Taxes	\$ 130,532	\$ 66,341	\$ 17	\$ -	\$ 196,890
Municipal Income Tax	872,192	364,772	-	42,583	1,279,547
Intergovernmental	136,961	204,409	-	-	341,370
Special Assessments	-	9,077	-	-	9,077
Charges for Services	117,213	41,254	-	-	158,467
Fines, Licenses, and Permits	142,577	1,155	-	8,085	151,817
Earnings on Investments	31,917	6,782	-	1,197	39,896
Miscellaneous	8,080	33,598	-	-	41,678
	<u>1,439,472</u>	<u>727,388</u>	<u>17</u>	<u>51,865</u>	<u>2,218,742</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property	42,219	1,211,928	-	-	1,254,147
Public Health Services	6,385	-	-	-	6,385
Leisure Time Activities	42,722	63,041	-	-	105,763
Community Environment	-	19,710	-	-	19,710
Transportation	-	168,825	-	-	168,825
General Government	291,961	-	-	-	291,961
Capital Outlay	3,041	92,839	-	32,550	128,430
Debt Service:					
Redemption of Principal	-	29,091	-	-	29,091
Interest and Fiscal Charges	-	4,335	-	-	4,335
	<u>386,328</u>	<u>1,589,769</u>	<u>-</u>	<u>32,550</u>	<u>2,008,647</u>
Total Cash Disbursements					
Excess of Receipts Over/(Under) Disbursements	1,053,144	(862,381)	17	19,315	210,095
Other Financing Receipts (Disbursements):					
Transfers-In	-	952,833	-	17,919	970,752
Transfers-Out	(952,833)	-	(17,919)	-	(970,752)
	<u>(952,833)</u>	<u>952,833</u>	<u>(17,919)</u>	<u>17,919</u>	<u>-</u>
Total Other Financing Receipts (Disbursements)					
Net Change in Fund Cash Balances	100,311	90,452	(17,902)	37,234	210,095
Fund Cash Balances, January 1	457,504	603,407	17,919	57,791	1,136,621
	<u>457,504</u>	<u>603,407</u>	<u>17,919</u>	<u>57,791</u>	<u>1,136,621</u>
Fund Cash Balances, December 31					
Restricted	-	539,312	-	1,397	540,709
Committed	-	154,547	17	93,628	248,192
Unassigned (Deficit)	557,815	-	-	-	557,815
	<u>557,815</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>557,815</u>
Fund Cash Balances, December 31	<u>\$ 557,815</u>	<u>\$ 693,859</u>	<u>\$ 17</u>	<u>\$ 95,025</u>	<u>\$ 1,346,716</u>

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

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>Private Purpose Trust</u>	
Operating Cash Receipts:				
Charges for Services	\$ 2,157,421	\$ -	\$ -	\$ 2,157,421
Miscellaneous	4,954	-	-	4,954
Total Operating Cash Receipts	<u>2,162,375</u>	<u>-</u>	<u>-</u>	<u>2,162,375</u>
Operating Cash Disbursements:				
Personal Services	682,612	-	-	682,612
Employee Fringe Benefits	301,028	-	-	301,028
Contractual Services	384,302	-	-	384,302
Supplies and Materials	92,527	-	-	92,527
Other	1,430	-	-	1,430
Total Operating Cash Disbursements	<u>1,461,899</u>	<u>-</u>	<u>-</u>	<u>1,461,899</u>
Operating Income (Loss)	700,476	-	-	700,476
Non-Operating Receipts (Disbursements)				
Intergovernmental	36,049	-	-	36,049
Special Assessments	2,062	-	-	2,062
Miscellaneous Receipts	25,167	-	7,000	32,167
Fines and Forfeitures	-	120,924	-	120,924
Distribution of Fines	-	(118,485)	-	(118,485)
Capital Outlay	(187,302)	-	-	(187,302)
Principal Retirement	(281,343)	-	-	(281,343)
Interest and Fiscal Charges	(27,943)	-	-	(27,943)
Other Financing Uses	-	-	(4,000)	(4,000)
Total Non-Operating Cash Receipts (Disbursements)	<u>(433,310)</u>	<u>2,439</u>	<u>3,000</u>	<u>(427,871)</u>
Net Change in Fund Cash Balances	267,166	2,439	3,000	272,605
Fund Cash Balances, January 1	<u>2,139,855</u>	<u>375</u>	<u>13,290</u>	<u>2,153,520</u>
Fund Cash Balances, December 31	<u>\$ 2,407,021</u>	<u>\$ 2,814</u>	<u>\$ 16,290</u>	<u>\$ 2,426,125</u>

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

Village of Crestline, Ohio
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The Village of Crestline (the Village), Crawford County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. 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 receipt 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.

For financial reporting purposes, the Village's basic financial statements include all funds, agencies, boards, commissions, and departments for which the Village is financially accountable. Financial accountability exists if the Village appoints a voting majority of an organization's governing board and is either able to impose its will on that organizations or there is potential for the organizations 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 governing 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 one component unit which is described below.

Crestline Community Improvement Corporation ("CIC") – The CIC was formed pursuant to Ohio Revised Code Section 1724. The Articles of Incorporation were approved on October 29, 2013. The CIC was designated as a not-for-profit agency of the Village for advancing, encouraging and promoting the industrial, economic, commercial, and civic development of Crestline and the territory surrounding Crestline.

The CIC Board of Directors is comprised of nine members appointed by the Village. The Board of Directors is comprised of Village's Finance Chair, Fiscal Officer, Mayor, Council Pro-Temp, Administrator, the Crestline Exempted Village School Board Treasurer and three local business owners. The CIC is dependent on the Village for financial support and therefore is considered a discretely presented component unit of the Village; however, it has not been presented in the financial statements or note disclosures as it is considered immaterial. Separate issued financial statements can be obtained by contacting the Village Administrator for the Village of Crestline, 100 North Seltzer Street, Crestline, Ohio 44827.

Village of Crestline, Ohio
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Police and Fire Levy Fund This fund accounts for a portion of municipal income taxes intended for police and fire operations.

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Funds.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Village of Crestline, Ohio
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

The Village's private purpose trust fund accounts for resources held for donations and scholarships that are intended to benefit various individuals and organizations within the community. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results or operations. The Village's agency fund accounts for activity related to the Mayor's Court.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund and program level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be re-appropriated.

A summary of 2018 budgetary activity appears in Note 3.

Village of Crestline, Ohio
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village's investments are limited to negotiable certificates of deposit (CDs). Investments are reported at cost. Investment procedures are restricted by provisions of the Ohio Revised Code.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Village of Crestline, Ohio
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,284,777	\$1,439,472	\$154,695
Special Revenue	2,973,037	1,680,221	(1,292,816)
Debt Service	0	17	17
Capital Projects	138,096	69,784	(68,312)
Enterprise	3,080,053	2,225,653	(854,400)
Private Purpose Trust	7,000	7,000	0
Total	\$7,482,963	\$5,422,147	(\$2,060,816)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,399,027	\$1,339,161	\$59,866
Special Revenue	3,142,564	1,589,769	1,552,795
Debt Service	92,919	0	92,919
Capital Projects	145,500	32,550	112,950
Enterprise	3,400,720	1,958,487	1,442,233
Private Purpose Trust	13,000	4,000	9,000
Total	\$8,193,730	\$4,923,967	\$3,269,763

Village of Crestline, Ohio
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 4 – Deposits and Investments

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

	<u>2018</u>
Demand deposits	\$2,771,841
Certificates of deposits	1,000,000
Petty Cash	<u>1,000</u>
Total deposits	<u>\$3,772,841</u>

Deposits

Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. The Village’s financial institution is participating in the Ohio Pooled Collateral System (OPCS).

Deposits are insured by the Federal Deposit Insurance Corporation; collateralized through the Ohio Pooled Collateral System (OPCS).

At year end the Village had \$1,000 in undeposited cash on hand (petty cash).

Investments

Raymond James and Associates is in custody of the Village’s Certificates of deposit (CDs). The financial institution maintains records identifying the Village as owner of these securities.

Note 5 – Taxes

Property Taxes

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

Public utilities are also taxed on personal and real property located within the Village.

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

Village of Crestline, Ohio
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 5 – Taxes (Continued)

Income Taxes

The Village levies a municipal income tax of 2 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 - Risk Management

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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 is legally separate from its member governments.

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.

OPRM coverage programs 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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 764 members as of December 31, 2017.

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.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

Village of Crestline, Ohio
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 6 - Risk Management (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017 (latest information available).

	<u>2017</u>
Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

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

Employee Health Benefits

The Village provides employees with medical, dental, life, and vision insurance. As of December 31, 2018, medical insurance is provided by Anthem and dental, life, and vision insurance is provided by Guardian. The Village currently pays 90% of the premiums for medical insurance and 100% of the premiums for dental and life insurance. Vision insurance is optional, so the entire premium is to be paid by the employee. The risk of loss transfers entirely to the insurance carriers.

There has been no significant reduction in insurance coverage from 2017 and no insurance settlement has exceeded insurance coverage during the last four years.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Village employees, other than full-time police and firefighters, belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Ohio Police and Fire Retirement System

The Village's full-time Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

Village of Crestline, Ohio
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 - Defined Benefit Pension Plans (Continued)

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. The Village has paid all contributions required through December 31, 2018.

Social Security

The Village had one employee that contributed to Social Security in lieu of contributing to OPERS. This plan provides retirement benefits, including survivor and disability benefits to participants.

This employee contributed 6.2 percent of their gross salary. The Village contributed an amount equal to 6.2 percent of participant's gross salary. The Village has paid all contributions required through December 31, 2018.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loans	\$851,345	0.00%
Ohio Water Development Authority Loans	1,085,648	1.00%
United Bank - Sewer Improvement Bond Series 2012	111,200	3.75%
Lease Purchase Agreement - TCF Equipment Finanace	24,987	3.35%
Lease Purchase Agreement - TCF Equipment Finanace	149,665	3.41%
Police Pension Accrued Liability	46,064	2.13%
Fire Pension Accrued Liability	32,782	2.13%
Total	<u>\$2,301,691</u>	

Village of Crestline, Ohio
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Debt (Continued)

The Sewer Improvement Bonds were issued on May 22, 2012 in the amount of \$698,000 to replace the sewer improvement notes that were formerly rolled over year-to-year by the Village. The bonds bear an interest rate of 3.75% and mature on June 1, 2019. These bonds are to be repaid from the sewer enterprise fund.

The Village has pledged future sewer fund receipts to repay Ohio Water Development Authority (OWDA) loans. The loans are payable solely from sewer fund receipts and are payable through 2036. The OWDA loans are for the Bibich Ct. and Patterson St. sanitary sewer, sanitary sewer improvements phase I, WWTP improvements, and sewer separation phase II. The total principal remaining to be paid on the loans is \$1,080,747. The Village is currently making semiannual installments toward the principal and interest on these loans. Principal and interest paid for the current year was \$73,430.

The Village has entered into an agreement with OWDA to finance Wastewater Treatment Plant and Collection System Improvements Planning. This agreement became effective in May of 2019. The total amount financed at that time was \$355,440. Since this agreement was not complete at the end of 2018 it is not included in the above outstanding debt balances or the amortization schedule on the following page.

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, for the replacement of the Wiley Street waterlines, for the replacement of the Countyline, Arnold Street, Scott Street waterlines and the WWTP improvements phase I. The loans are interest free. OPWC loans are payable from the gross receipts of the water and sewer enterprise funds.

The Village has entered into an agreement with OPWC to finance the S. Thoman Waterline. This agreement became effective in 2019. The total amount financed at that time was \$272,686. Since this agreement was not complete at the end of 2018 it is not included in the above outstanding debt balances or the amortization schedule on the following page.

The Village pays installments on the police and fire pension 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 police pension and fire pension fund.

In prior years, the Village entered into lease purchase agreements for a snow plow/dump truck, two boilers, and a Vac-Con truck. These leases meet the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as on which transfers benefits and risks of ownership to the lessee. Principal payments in 2018 included \$46,586 made on the Vac-Con truck from the water and sewer enterprise funds, \$24,987 made on the snow plow/dump truck from the street fund, and \$9,267 on the boiler replacement made from the water and sewer enterprise funds. The boiler replacement lease was paid off during 2018.

Village of Crestline, Ohio
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Debt (Continued)

Amortization

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

Year Ending December 31:	OWDA Loans	OPWC Loans	United Bank - Sewer Improvement Bond	Police & Fire Pension Liability	Leases
2019	\$ 71,560	\$ 59,637	\$ 113,279	\$6,710	\$ 80,100
2020	71,560	59,637	0	6,710	53,384
2021	71,560	59,637	0	6,710	53,384
2022	71,560	59,637	0	6,710	0
2023	71,560	59,637	0	6,710	0
2024-2028	357,798	221,518	0	33,550	0
2029-2033	340,123	163,255	0	33,550	0
2034-2038	115,680	101,991	0	9,763	0
2039-2043	0	45,563	0	0	0
2043-2048	0	29,166	0	0	0
Total	<u>\$1,171,401</u>	<u>\$ 851,345</u>	<u>\$113,279</u>	<u>\$110,413</u>	<u>\$186,868</u>

Note 10 – Subsequent Events

Subsequent to December 31, 2018 the Village entered into the following financing agreements:

The Village has entered into an agreement with OWDA to finance Wastewater Treatment Plant and Collection System Improvements Planning. This agreement became effective in May of 2019. The total amount financed at that time was \$355,440. Since this agreement was not complete at the end of 2018 it is not included in the outstanding debt balances or the amortization schedules.

The Village has entered into an agreement with OPWC to finance the S. Thoman Waterline. This agreement became effective in 2019. The total amount financed at that time was \$272,686. Since this agreement was not complete at the end of 2018 it is not included in the outstanding debt balances or the amortization schedules.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Crestline
Crawford County
100 N. Seltzer Street
Crestline, Ohio 44827

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Crestline, Crawford County, (the Village) as of and for the year ended December 31, 2018, and the related notes to the financial statements and have issued our report thereon dated July 31, 2019 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2018-001 through 2018-003 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village'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, opining 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-003.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and somewhat stylized.

BHM CPA Group, Inc.
Piketon, Ohio
July 31, 2019

**Village of Crestline
Crawford County
Schedule of Findings
December 31, 2018**

1. SUMMARY OF AUDITOR'S RESULTS
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FINDING NUMBER 2018-001

Financial Statement Presentation – Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Village did not always accurately post receipts to the Village's accounting system and financial statements. Below are misstatements noted:

- The Village posted \$4,882 as Capital Outlay rather than Principal and Interest, respectively in the Sewer Enterprise Fund.
- The Village posted \$4,882 as Capital Outlay rather than Principal and Interest, respectively in the Water Enterprise Fund.
- The Village posted \$26,692 as Other Debt Service rather than Principal and Interest, respectively in the Sewer Enterprise Fund.
- The Village posted \$26,692 as Other Debt Service rather than Principal and Interest, respectively in the Water Enterprise Fund.
- The Village posted \$850 of Interest payments as Principal in the Street Special Revenue Fund.
- The Village posted \$303 of Interest payments as Principal in the Sewer Enterprise Fund.
- The Village posted \$3,920 as Security of Persons and Property rather than Principal and Interest, respectively in the Police Fund.
- The Village posted \$2,790 as Security of Persons and Property rather than Principal and Interest, respectively in the Fire Fund.
- The Village did not properly post prior year adjustment to their books. Beginning fund balance adjustments were made to decrease the Debt Service Balance by \$75,000 and increasing the fund balance in the Enterprise Funds in the amount of \$75,000. Transfers out of the Debt Service Funds to the Enterprise were reversed on the financial statements.

**Village of Crestline
Crawford County
Schedule of Findings
December 31, 2018**

**FINDING NUMBER 2018-001
(Continued)**

Financial Statement Presentation – Material Weakness

- The Village posted the activity from the Swimming Pool fund as an Enterprise fund rather than a Special Revenue fund. To be consistent with prior years the activity was moved from the Enterprise Fund to the Special Revenue fund. This resulted in adjustments in the amounts of \$63,041 to Leisure Time Activities, \$400 to Capital Outlay, \$39,067 to Charges for Services, \$6,095 to Miscellaneous Revenue and \$20,000 to Transfers-In. Also, the Beginning Fund Balance of \$13,048 was moved from the Enterprise Fund to the Special Revenue Fund for the Swimming Pool Fund.
- These amounts were adjusted to the Village's accounting system and financial statements.

Additionally, errors were noted in the Village's notes to the financial statements. The cash, debt and budgetary notes were incorrect. Without accurate and complete notes to the financial statements, the Village is at risk of omitting information important to understanding the financial position of the Village.

Not posting receipts and disbursements accurately to the ledgers could result in the financial statements requiring audit reclassifications; furthermore, inaccurate accounting records could make it difficult for the Village Council to effectively monitor the Village's activities or identify misstatements or errors in a timely manner.

Officials' Response: We did not receive a response to this finding.

FINDING NUMBER 2018-002

Mayor's Court Agency Fund – Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

In 2018, the Village did not accurately record the activity for the Mayor's Court on the Village's accounting records or financial statements. The Mayor's Court records are kept separate from the Village's books, and each month a check is written to the Village for its portion of the fines and fees and the State is paid for its portion of the fines and fees. Because the records are maintained separately and the Village did not have controls in place to ensure all of the Mayor's account activity is accurately reported on the Village's accounting records or financial statements, the Village's financial statements were misstated.

For 2018, Distribution of Fines (Non-Operating Disbursements) and Fines & Forfeitures (Non-Operating Revenues) were understated by \$120,924 and \$118,485, respectively.

The fines and costs should be originally recorded in an Agency Fund, and then only the portion of fines and costs due to the Village should be recorded as a receipt in the General Fund to clearly account for the portion of court receipts that legally belong to the Village. The fines and costs due to the state should also be paid from this Agency Fund. This will allow for the entire activity of the Village to be included on the Village's accounting records, and for Council to review the activity, and will help ensure more accurate financial statements.

Officials' Response: We did not receive a response to this finding.

**Village of Crestline
Crawford County
Schedule of Findings
December 31, 2018**

FINDING NUMBER 2018-003

Material Noncompliance/Material Weakness

Village of Crestline Ordinance 2634 states that “1) From the proceeds produced by the levy, the first one and one-half percent (1-1/2%) paid by any person or entity to the Municipality: General Fund – 86%; Capital Improvement Fund – 5%; Street Construction Fund – 9% and 2) All the remaining proceeds produced by the levy: General Fund – 55%; General Fund – Police & Fire – 15%; Street Fund – 10%; Capital Improvement Fund – 10% and Capital Improvement Fund – Police and Fire – 10%.”

In addition, GASB Statement No. 54 requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources. A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of the Village’s financial statements.

On the Village’s accounting system the Village maintains a separate fund for the purpose of administrating the income tax collected in accordance with Ordinance 2634. However, the Income Tax Fund does not have constraints imposed on its resources and cannot be reported as a special revenue fund on the Village’s financial statements. Therefore, audit adjustments had to be made to report \$732,425, \$42,583, \$46,649 and \$283,887 of income tax receipts as municipal income tax rather than transfers in within the General Fund, Capital Improvement Fund, Street Fund, and Police Fund, respectively, and to eliminate the related activity in the Income Tax Special Revenue Fund. In addition, all remaining activity within the Income Tax Special Revenue Fund was adjusted to be reported in the General Fund on the financial statements. These amounts included Municipal Income Tax of \$139,724, Miscellaneous Revenue of \$1,420, General Government expenditures of \$102,165 and the beginning fund balance or \$115,568.

The Village should establish procedures to allocate and report income tax directly to the funds as outlined in Ordinance 2634. The Village Council should monitor the financial statements to ensure that income tax is properly reported.

Officials’ Response: We did not receive a response to this finding.

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**Village of Crestline
Crawford County
Schedule of Prior Audit Findings
December 31, 2018**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2017-001	Financial Statement Presentation – Material Weakness	No	Reissued as Finding 2018-001
2017-002	Mayor’s Court Agency Fund – Material Weakness	No	Reissued as Finding 2018-002
2017-003	Material Noncompliance/Material Weakness	No	Reissued as Finding 2018-003

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OHIO AUDITOR OF STATE KEITH FABER



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
OCTOBER 10, 2019**