



**CITY OF CRESTLINE  
CRAWFORD COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**CITY OF CRESTLINE  
CRAWFORD COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the City Council:

We have audited the accompanying financial statements of the City of Crestline, Crawford County, Ohio, (the City) as of and for the year ended December 31, 2001. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the City as of December 31, 2001, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

As described in Note 9, effective in 2001, the City reclassified assets from the expendable trust classification to the special revenue fund classification.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2002, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

**JIM PETRO**  
Auditor of State

March 26, 2002

**CITY OF CRESTLINE  
CRAWFORD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL TYPES AND EXPENDABLE TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>						
Local Taxes	\$138,407	\$1,258,988	\$192,353	\$0	\$26,832	\$1,616,580
Intergovernmental Receipts	351,489	240,181	0	0	0	591,670
Charges for Services	3,026	0	0	0	0	3,026
Fines, Licenses, and Permits	96,109	1,673	0	12,938	0	110,720
Earnings on Investments	129,600	21,060	0	11,340	0	162,000
Miscellaneous	49,164	26,217	0	5,675	2,074	83,130
<b>Total Cash Receipts</b>	<u>767,795</u>	<u>1,548,119</u>	<u>192,353</u>	<u>29,953</u>	<u>28,906</u>	<u>2,567,126</u>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	1,160,815	10,123	0	0	29,609	1,200,547
Public Health Services	10,393	0	0	0	0	10,393
Leisure Time Activities	31,484	0	0	0	0	31,484
Community Environment	0	28,286	0	0	6,500	34,786
Transportation	0	295,654	0	0	0	295,654
General Government	396,224	95,318	6,573	0	677	498,792
Debt Service:						
Principal Payments	0	0	1,631,000	0	0	1,631,000
Interest Payments	0	0	109,259	0	0	109,259
Capital Outlay	10,717	104,292	0	389,733	0	504,742
<b>Total Cash Disbursements</b>	<u>1,609,633</u>	<u>533,673</u>	<u>1,746,832</u>	<u>389,733</u>	<u>36,786</u>	<u>4,316,657</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>(841,838)</u>	<u>1,014,446</u>	<u>(1,554,479)</u>	<u>(359,780)</u>	<u>(7,880)</u>	<u>(1,749,531)</u>
<b>Other Financing Receipts/(Disbursements):</b>						
Proceeds of Notes	0	0	1,446,000	0	0	1,446,000
Transfers-In	831,096	261,605	115,000	271,346	0	1,479,047
Transfers-Out	(107,199)	(1,256,848)	0	0	0	(1,364,047)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>723,897</u>	<u>(995,243)</u>	<u>1,561,000</u>	<u>271,346</u>	<u>0</u>	<u>1,561,000</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(117,941)</u>	<u>19,203</u>	<u>6,521</u>	<u>(88,434)</u>	<u>(7,880)</u>	<u>(188,531)</u>
<b>Fund Cash Balances, January 1, 2001 (restated)</b>	<u>811,845</u>	<u>377,758</u>	<u>175,678</u>	<u>620,693</u>	<u>37,605</u>	<u>2,023,579</u>
<b>Fund Cash Balances, December 31, 2001</b>	<u><b>\$693,904</b></u>	<u><b>\$396,961</b></u>	<u><b>\$182,199</b></u>	<u><b>\$532,259</b></u>	<u><b>\$29,725</b></u>	<u><b>\$1,835,048</b></u>
<b>Reserve for Encumbrances, December 31, 2001</b>	<u><b>\$9,750</b></u>	<u><b>\$9,233</b></u>	<u><b>\$0</b></u>	<u><b>\$16,938</b></u>	<u><b>\$0</b></u>	<u><b>\$35,921</b></u>

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

**CITY OF CRESTLINE  
CRAWFORD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS AND AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Enterprise</u>	<u>Agency</u>	<u>Totals (Memorandum Only)</u>
<b>Operating Cash Receipts:</b>			
Charges for Services	\$1,213,113	\$0	\$1,213,113
Miscellaneous	11,821	0	11,821
Total Operating Cash Receipts	<u>1,224,934</u>	<u>0</u>	<u>1,224,934</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	451,182	0	451,182
Travel Transportation	13,373	0	13,373
Contractual Services	223,821	0	223,821
Supplies and Materials	44,752	0	44,752
Capital Outlay	64,395	0	64,395
Total Operating Cash Disbursements	<u>797,523</u>	<u>0</u>	<u>797,523</u>
Operating Income	<u>427,411</u>	<u>0</u>	<u>427,411</u>
<b>Non-Operating Cash Receipts:</b>			
Miscellaneous	10,925	0	10,925
Other Non-Operating Receipts	0	140,517	140,517
Total Non-Operating Cash Receipts	<u>10,925</u>	<u>140,517</u>	<u>151,442</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	149,662	0	149,662
Other Non-Operating Cash Disbursements	0	136,785	136,785
Total Non-Operating Cash Disbursements	<u>149,662</u>	<u>136,785</u>	<u>286,447</u>
Excess of Cash Receipts Over Cash Disbursements Before Interfund Transfers	288,674	3,732	292,406
Transfers-Out	<u>(115,000)</u>	<u>0</u>	<u>(115,000)</u>
Net Cash Receipts Over Cash Disbursements	173,674	3,732	177,406
Fund Cash Balances, January 1, 2001	<u>1,258,526</u>	<u>6,403</u>	<u>1,264,929</u>
<b>Fund Cash Balances, December 31, 2001</b>	<b><u>\$1,432,200</u></b>	<b><u>\$10,135</u></b>	<b><u>\$1,442,335</u></b>
Reserve for Encumbrances, December 31, 2001	<u>\$19,567</u>	<u>\$0</u>	<u>\$19,567</u>

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



**CITY OF CRESTLINE  
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

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

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

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Fund**

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

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

**CITY OF CRESTLINE  
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

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

**D. Fund Accounting (Continued)**

**3. Debt Service Funds**

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

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

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

**4. Capital Projects Funds**

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

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

**5. Enterprise Funds**

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

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

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

**6. Fiduciary Funds (Trust and Agency Funds)**

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

*Mayor's Court Agency Fund* - This fund receives court fines and distributes these fines to the City and State as required by law.

**CITY OF CRESTLINE  
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

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

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the City to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2001 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the City's basis of accounting.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2001</u>
Deposits	\$ 577,383
Certificates of Deposit	<u>2,500,000</u>
Total deposits	<u>3,077,383</u>
STAR Ohio	<u>200,000</u>
Total deposits and investments	<u>\$ 3,277,383</u>

**CITY OF CRESTLINE  
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the City, or (3) collateralized by the financial institution's public entity deposit pool.

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31, 2001 follows:

<b>2001 Budgeted vs. Actual Receipts</b>			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,635,240	\$1,598,891	(\$36,349)
Special Revenue	1,829,550	1,809,724	(19,826)
Debt Service	305,780	1,753,353	1,447,573
Capital Projects	292,600	301,299	8,699
Expendable Trust	46,000	28,906	(17,094)
Enterprise	1,238,050	1,235,859	(2,191)
Total	\$5,347,220	\$6,728,032	\$1,380,812

<b>2001 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,935,445	\$1,726,582	\$208,863
Special Revenue	2,064,237	1,799,754	264,483
Debt Service	1,809,000	1,746,832	62,168
Capital Projects	499,546	406,671	92,875
Expendable Trust	120,002	36,786	83,216
Enterprise	1,642,414	1,081,752	560,662
Total	\$8,070,644	\$6,798,377	\$1,272,267

Contrary to Ohio law, at December 31, 2001, appropriations exceeded estimated resources in the Fire Safety & Education, DARE, CDBG Formula, and Income Tax Special Revenue funds, the Swimming Pool Bond Retirement and Wastewater Bond Retirement Debt Service funds, the Swimming Pool Enterprise fund, and the Police Pension, Fire Pension, and Hayes Estate Expendable Trust funds.

**4. PROPERTY TAX**

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

**CITY OF CRESTLINE  
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**4. PROPERTY TAX (Continued)**

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**5. LOCAL INCOME TAX**

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

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

**6. DEBT**

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$520,000	5.88%
Swimming Pool Improvement Notes	330,000	5.10%
Fire Truck/Rescue Unit Lease	329,697	5.90%
Waste Water Renovation Notes	1,116,000	4.72%
Waste Water Revenue Bonds	<u>1,172,033</u>	4.85%
Total	<u><u>\$3,467,730</u></u>	

The General Obligation Bonds were issued in 1991 and used for the payment for construction done on the City Hall.

The Swimming Pool Improvement Notes are due in November 2002, and Waste Water Renovation Notes are due in April 2002. These notes were rollovers of original notes used to help with improvements made to the wastewater treatment facilities, sewer facilities, and swimming pool. The payment of these notes is supported by the full faith and credit of the City.

The City entered into a capital lease for a fire pumper truck and rescue unit for the fire department. The City will make annual rent payments of \$67,090, including interest, through 2007.

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

**CITY OF CRESTLINE  
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**6. DEBT (Continued)**

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

<u>Year ending December 31:</u>	<u>General Obligation Bonds</u>	<u>Water System Revenue Bonds</u>
2002	\$95,550	\$154,300
2003	91,731	154,800
2004	87,913	154,955
2005	84,094	154,755
2006	80,275	159,190
Subsequent	<u>217,913</u>	<u>784,560</u>
Total	<u><u>\$657,476</u></u>	<u><u>\$1,562,560</u></u>

**7. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2001, OP&F participants contributed 10% of their wages. The City contributed an amount equal to 19.5% of police participant and 24% of fire participant wages. PERS members contributed 8.5% of their wages. The City contributed an amount equal to 13.55% of PERS participants' gross salaries. The City has paid all contributions required through December 31, 2001.

**8. RISK MANAGEMENT**

**Risk Pool Membership**

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

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

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

**CITY OF CRESTLINE  
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained (deficit) earnings at December 31, 2000, and December 31, 1999, which is latest information available:

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

**Self Insurance**

The City also provides health and life insurance and dental coverage to full-time employees through a self insurance plan. The plan is administered by Employee Benefits Service (EBS). The City has an individual excess loss insurance policy for which it is responsible to pay claims up to a maximum of \$15,000 per employee, per year. The City also has an aggregate excess loss insurance policy.

**9. FUND RECLASSIFICATION**

A fund reclassification is required for the City's Income Tax Fund to properly reflect its intended purpose. The Income Tax Fund was previously included in the expendable trust fund type and had a negative balance of \$3,460 at January 1, 2001. This fund should be reported as part of the special revenue fund type. The effect of this fund reclassification on beginning fund cash balances reported as of January 1, 2001 is as follows:

	<u>Special Revenue Funds</u>	<u>Expendable Trust Funds</u>
Fund cash balances as previously reported	\$381,218	\$34,145
Fund reclassifications	(3,460)	3,460
Restated fund cash balances at January 1, 2001	<u>\$377,758</u>	<u>\$37,605</u>

The reclassification had the following effect on the excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements as previously reported for the fiscal year ended December 31, 2000:

	<u>Special Revenue Funds</u>	<u>Expendable Trust Funds</u>
Excess as previously reported	\$85,543	(\$50,501)
Fund reclassifications	(50,269)	50,269
Restated amount for the year ended December 31, 2000	<u>\$35,274</u>	<u>(\$232)</u>

**CITY OF CRESTLINE  
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**10. DEBT SERVICE TRUSTEED FUNDS**

The Water Plant Expansion trust agreement required the City to establish a bond service fund and a bond reserve fund to be maintained by a custodian bank. The bank has established these funds. At December 31, 2001, the custodian held \$187,077 in City assets. These assets, and the related receipts and disbursements, are not reflected in the accompanying financial statements.





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

To the City Council:

We have audited the accompanying financial statements of the City of Crestline, Crawford County, Ohio, (the City) as of and for the year ended December 31, 2001, wherein we noted that the City reclassified certain assets to the special revenue fund type, and have issued our report thereon dated March 26, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings at item 2001-30517-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated March 26, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated March 26, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long, sweeping underline.

**JIM PETRO**  
Auditor of State

March 26, 2002

CITY OF CRESTLINE  
CRAWFORD COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2001

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

FINDING NUMBER 2001-30517-001

Appropriations Exceed Estimated Resources

Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund shall not exceed the total amount of estimated revenue available for expenditure therefrom, as certified by the budget commission.

As of December 31, 2001, appropriations exceeded total estimated resources in the following funds:

<b>Fund</b>	<b>Appropriations</b>	<b>Estimated Resources</b>	<b>Variance</b>
Fire Safety and Education	\$2,000	\$1,326	\$674
DARE	6,121	4,923	1,198
CDBG Formula	15,000	4,000	11,000
Income Tax	1,408,706	1,324,190	84,516
Swimming Pool Bond Retirement	474,500	112,525	361,975
Wastewater Reno Bond Retirement	1,231,000	115,000	1,116,000
Swimming Pool	20,000	943	19,057
Police Pension	32,050	19,331	12,719
Fire Pension	34,475	20,755	13,720
Hayes Estate Trust	19,000	8,729	10,271

We recommend the City Council closely monitor its appropriations in respect to its estimated resources in order to ensure appropriations do not exceed total estimated resources in each fund.

**CITY OF CRESTLINE  
CRAWFORD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain:</b></i>
2000-30517-001	Ohio Rev. Code Section 5705.41 (D) - expenditures not properly certified by Clerk/Treasurer prior to commitment being incurred.	No	Partially corrected. Citation is included in the management letter.
2000-30517-002	Ohio Rev. Code Section 9.38 - receipts from the Income Tax Dept., Utility Dept. and ambulance services were not deposited with Clerk/Treasurer on the next business day after collection.	No	Partially corrected. Citation is included in the management letter.
2000-30517-003	Council's lack of monitoring revenue, appropriation and fund reports.	Yes	
2000-30517-004	Lack of SAS 70 report from self insurance third party administrator.	No	Partially corrected. During the current audit period the City implemented various monitoring controls over self insurance expenditures.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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800-282-0370  
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**CITY 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  
MAY 16, 2002**