

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
(AUDITED)

FOR THE YEAR ENDED
DECEMBER 31, 2008

KELLY KURTZMAN, INTERIM CITY AUDITOR



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Crestline, Crawford County, prepared by Julian & Grube, Inc., for the audit period January 1, 2008 through December 31, 2008. 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 City of Crestline is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 10, 2009

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**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Members of Council and Mayor
City of Crestline
100 North Seltzer Street
Crestline, Ohio 44827

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 City of Crestline, Crawford County, Ohio, as of and for the year ended December 31, 2008, which collectively comprise the City of Crestline's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City 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 *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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Crestline, Crawford County, Ohio, as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General fund and Street Construction Maintenance and Repair fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2009, on our consideration of the City of Crestline's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Members of Council and Mayor
City of Crestline
Page Two

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

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

Julian & Grube, Inc.
June 26, 2009

CITY OF CRESTLINE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008

The management's discussion and analysis of the City of Crestline's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2008. The intent of this discussion and analysis is to look at the City'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 City's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- The total net assets of the City increased \$698,334, net assets of governmental activities increased \$324,285 or 4.90% over 2007 and net assets of business-type activities increased \$374,049 or 7.22% over 2007.
- General revenues accounted for \$2,109,520 of total governmental activities revenue. Program specific revenues accounted for \$772,256 or 26.80% of total governmental activities revenue.
- The City had \$2,464,777 in expenses related to governmental activities; \$772,256 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$2,109,520.
- The general fund had revenues of \$1,920,093 in 2008. This represents an increase of \$266,377 from 2007 revenues. The expenditures of the general fund, which totaled \$1,583,868 in 2008, increased \$46,498 from 2007. The fund balance of the general fund increased \$336,225 from \$129,037 to \$465,262.
- The street construction, maintenance and repair fund had revenues of \$444,020 in 2008. The expenditures of the street construction, maintenance and repair fund totaled \$513,729 in 2008. The fund balance of the street construction, maintenance and repair fund decreased \$69,709 from \$147,766 to \$78,057.
- The capital improvements fund had revenues and other financing sources of \$322,420 in 2008. The expenditures of the capital improvements fund totaled \$247,885 in 2008. The fund balance of the capital improvements fund increased \$74,535 from \$380,779 to \$455,314.
- Net assets for the business-type activities, which are made up of the water, sewer, and ambulance services enterprise funds, increased in 2008 by \$374,049.
- In the general fund, the actual revenues came in \$336,508 greater than they were in the final budget and actual expenditures were \$34,478 less than the amount in the final budget.

Using this Annual Financial Report

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

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

CITY OF CRESTLINE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net *assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the City as a whole, the financial position of the City 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 City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net assets and the statement of activities, the City is divided into two distinct kinds of activities:

Governmental activities - Most of the City'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 revenues including federal and State grants and other shared revenues.

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

The City's statement of net assets and statement of activities can be found on pages 17-19 of this report.

Reporting the City's Most Significant Funds

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 City, 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 City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 10.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

CITY OF CRESTLINE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, street construction, maintenance and repair fund, and capital improvements fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 20-25 of this report.

Proprietary Funds

The City maintains one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and ambulance service management functions. The City's water and sewer funds are considered major funds, while the ambulance service fund is a nonmajor proprietary fund. The basic proprietary fund financial statements can be found on pages 26-28 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. A private purpose trust fund is the City's fiduciary fund type. The basic fiduciary fund financial statements can be found on pages 29-30 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 31-61 of this report.

CITY OF CRESTLINE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008

Government-Wide Financial Analysis

The table below provides a summary of the City's net assets for 2008 and 2007:

	Net Assets					
	Governmental	Business-type	Governmental	Business-type	2008	2007
	Activities	Activities	Activities	Activities	Total	Total
	<u>2008</u>	<u>2008</u>	<u>2007</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<u>Assets</u>						
Current and other assets	\$ 2,561,122	\$ 1,302,083	\$ 2,273,860	\$ 1,183,607	\$ 3,863,205	\$ 3,457,467
Capital assets, net	<u>5,268,808</u>	<u>6,331,151</u>	<u>5,221,505</u>	<u>6,251,938</u>	<u>11,599,959</u>	<u>11,473,443</u>
Total assets	<u>7,829,930</u>	<u>7,633,234</u>	<u>7,495,365</u>	<u>7,435,545</u>	<u>15,463,164</u>	<u>14,930,910</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	390,696	1,964,058	356,418	2,149,567	2,354,754	2,505,985
Other liabilities	<u>492,354</u>	<u>111,298</u>	<u>516,352</u>	<u>102,149</u>	<u>603,652</u>	<u>618,501</u>
Total liabilities	<u>883,050</u>	<u>2,075,356</u>	<u>872,770</u>	<u>2,251,716</u>	<u>2,958,406</u>	<u>3,124,486</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	5,093,023	4,424,699	5,091,505	4,153,747	9,517,722	9,245,252
Restricted	1,144,947	249,883	1,175,649	254,300	1,394,830	1,429,949
Unrestricted	<u>708,910</u>	<u>883,296</u>	<u>355,441</u>	<u>775,782</u>	<u>1,592,206</u>	<u>1,131,223</u>
Total net assets	<u>\$ 6,946,880</u>	<u>\$ 5,557,878</u>	<u>\$ 6,622,595</u>	<u>\$ 5,183,829</u>	<u>\$ 12,504,758</u>	<u>\$ 11,806,424</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2008, the City's assets exceeded liabilities by \$12,504,758. At year-end, net assets were \$6,946,880 and \$5,557,878 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 75.02% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles, and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2008, were \$5,093,023 and \$4,424,699 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net assets, \$1,394,830, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$708,910 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF CRESTLINE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

The table below shows the changes in net assets for the years 2008 and 2007.

	Change in Net Assets					
	Governmental	Business-type	Governmental	Business-type	2008	2007
	Activities	Activities	Activities	Activities	Total	Total
	<u>2008</u>	<u>2008</u>	<u>2007</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues						
Program revenues:						
Charges for services	\$ 303,072	\$ 1,793,352	\$ 322,736	\$ 1,626,729	\$ 2,096,424	\$ 1,949,465
Operating grants and contributions	469,184	39,200	773,863	-	508,384	773,863
Total program revenues	<u>772,256</u>	<u>1,832,552</u>	<u>1,096,599</u>	<u>1,626,729</u>	<u>2,604,808</u>	<u>2,723,328</u>
General revenues:						
Property taxes	246,456	-	264,608	-	246,456	264,608
Income taxes	1,077,280	-	1,069,804	-	1,077,280	1,069,804
Unrestricted grants and entitlements	610,416	-	303,453	-	610,416	303,453
Investment earnings	70,887	-	108,179	389	70,887	108,568
Miscellaneous	104,481	15,364	75,867	14,496	119,845	90,363
Total general revenues	<u>2,109,520</u>	<u>15,364</u>	<u>1,821,911</u>	<u>14,885</u>	<u>2,124,884</u>	<u>1,836,796</u>
Total revenues	<u>2,881,776</u>	<u>1,847,916</u>	<u>2,918,510</u>	<u>1,641,614</u>	<u>4,729,692</u>	<u>4,560,124</u>
Expenses:						
General government	329,123	-	346,516	-	329,123	346,516
Security of persons and property	1,185,452	-	1,168,286	-	1,185,452	1,168,286
Transportation	666,791	-	532,535	-	666,791	532,535
Community environment	115,503	-	742,330	-	115,503	742,330
Leisure time activity	154,172	-	108,280	-	154,172	108,280
Interest and fiscal charges	13,736	-	21,148	-	13,736	21,148
Water	-	713,318	-	637,775	713,318	637,775
Sewer	-	694,821	-	688,228	694,821	688,228
Other enterprise	-	158,442	-	157,930	158,442	157,930
Total expenses	<u>2,464,777</u>	<u>1,566,581</u>	<u>2,919,095</u>	<u>1,483,933</u>	<u>4,031,358</u>	<u>4,403,028</u>
Transfers	<u>(92,714)</u>	<u>92,714</u>	<u>(24,152)</u>	<u>24,152</u>	<u>-</u>	<u>-</u>
Change in net assets	324,285	374,049	(24,737)	181,833	698,334	157,096
Net assets at beginning of year	<u>6,622,595</u>	<u>5,183,829</u>	<u>6,647,332</u>	<u>5,001,996</u>	<u>11,806,424</u>	<u>11,649,328</u>
Net assets at end of year	<u>\$ 6,946,880</u>	<u>\$ 5,557,878</u>	<u>\$ 6,622,595</u>	<u>\$ 5,183,829</u>	<u>\$ 12,504,758</u>	<u>\$ 11,806,424</u>

CITY OF CRESTLINE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008

Governmental Activities

Governmental activities net assets increased \$324,285 in 2008.

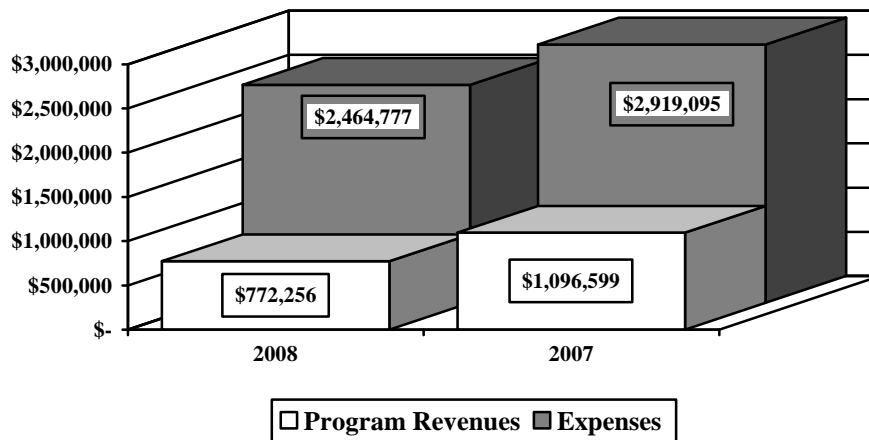
Security of persons and property primarily supports the operations of the police and fire department's expenses, which total \$1,185,452 and account for 48.10% of the total governmental expenses of the City. Security of persons and property expenses were partially funded by direct charges to users of \$64,029. General government expenses totaled \$329,123. General government expenses were partially funded by \$74,621 in direct charges to users of the services. Transportation expenses of \$666,791 were partially funded by \$397,768 in operating grants and contributions.

The state and federal government contributed to the City a total of \$469,184 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$397,768 subsidized transportation programs and \$71,416 subsidized community environment activities.

General revenues totaled \$2,109,520, and amounted to 73.20% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$1,323,736. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$610,416.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the City is highly dependent upon general revenues (primarily property and income taxes as well as unrestricted grants and entitlements) to support its governmental activities. Program revenues were not sufficient to cover total governmental expenses for 2008.

Governmental Activities - Program Revenues vs. Total Expenses



CITY OF CRESTLINE, OHIO

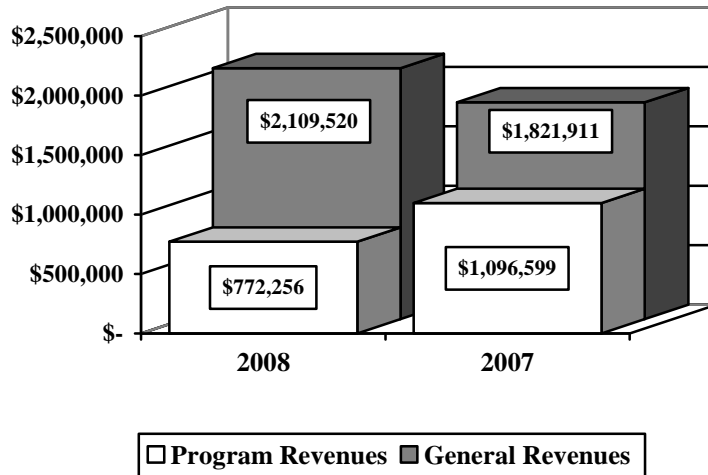
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Governmental Activities

	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>
Program Expenses:				
General government	\$ 329,123	\$ 254,502	\$ 346,516	\$ 186,245
Security of persons and property	1,185,452	1,121,423	1,168,286	1,089,103
Transportation	666,791	269,023	532,535	236,378
Community environment	115,503	(35,474)	742,330	271,467
Leisure time activity	154,172	69,311	108,280	18,155
Interest and fiscal charges	13,736	13,736	21,148	21,148
Total	\$ 2,464,777	\$ 1,692,521	\$ 2,919,095	\$ 1,822,496

The dependence upon general revenues for governmental activities is apparent, with 68.67% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2008 and 2007.

Governmental Activities - General and Program Revenues

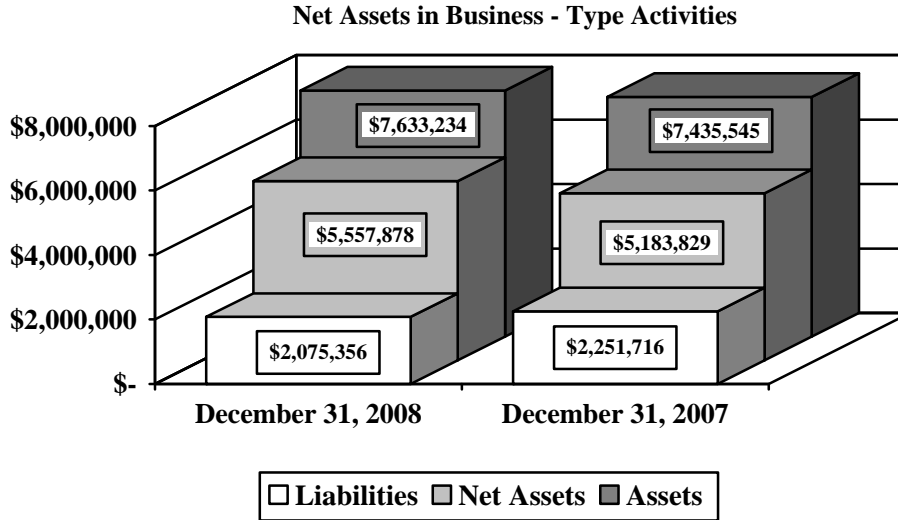


CITY OF CRESTLINE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008

Business-type Activities

Business-type activities include the water, sewer, and ambulance service enterprise funds. These programs had program revenues of \$1,832,552, general revenues of \$15,364 and expenses of \$1,566,581 for 2008. The graph below shows the business-type activities assets, liabilities and net assets at year-end.



Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at year-end. The City's governmental funds (as presented on the balance sheet on page 20) reported a combined fund balance of \$1,406,489, which is \$313,910 higher than last year's total of \$1,092,579. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2008 for all major and nonmajor governmental funds.

	Fund Balances <u>12/31/08</u>	Fund Balances <u>12/31/07</u>	Increase/ <u>(Decrease)</u>
Major funds:			
General	\$ 465,262	\$ 129,037	\$ 336,225
Street construction, maintenance & repair	78,057	147,766	(69,709)
Capital improvements	455,314	380,779	74,535
Other nonmajor governmental funds	<u>407,856</u>	<u>434,997</u>	<u>(27,141)</u>
Total	<u>\$ 1,406,489</u>	<u>\$ 1,092,579</u>	<u>\$ 313,910</u>

CITY OF CRESTLINE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

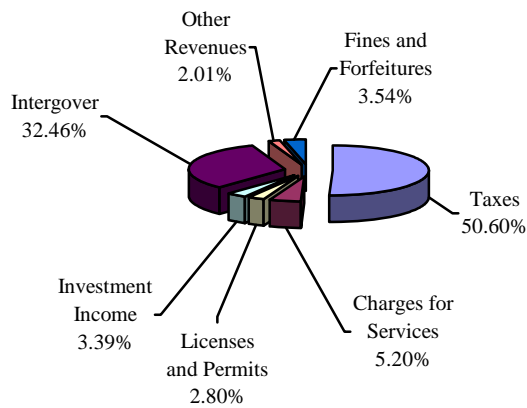
General Fund

The City's general fund balance increased \$336,225. The table that follows assists in illustrating the revenues of the general fund.

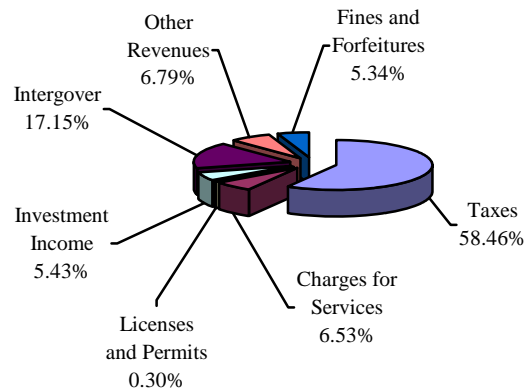
	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Amount</u> <u>Change</u>	<u>Percentage</u> <u>Change</u>
Revenues				
Taxes	\$ 971,561	\$ 966,694	\$ 4,867	0.50 %
Charges for services	99,898	108,034	(8,136)	(7.53) %
Licenses and permits	53,800	4,891	48,909	999.98 %
Fines and forfeitures	67,954	88,345	(20,391)	(23.08) %
Investment income	65,049	89,735	(24,686)	(27.51) %
Intergovernmental	623,311	283,661	339,650	119.74 %
Other	<u>38,520</u>	<u>112,356</u>	<u>(73,836)</u>	<u>(65.72) %</u>
Total	<u>\$ 1,920,093</u>	<u>\$ 1,653,716</u>	<u>\$ 266,377</u>	16.11 %

Tax revenue represents 50.60% of all general fund revenue. Tax revenue increased 0.50% over prior year. Investment income decreased \$24,687 or 23.08% over prior year. This decrease can be attributed to a reduction in cash balances for investing during the year. License and permits increased \$48,909 as a result of increased building permit receipts and franchise fees. Intergovernmental revenue increased \$339,650, primarily due to a significant increase in estate tax revenue. Other revenues decreased \$73,836 or 65.72% as a result of a decrease in miscellaneous receipts recorded during the year. All other revenues remained comparable to prior years.

Revenues - 2008



Revenues - 2007



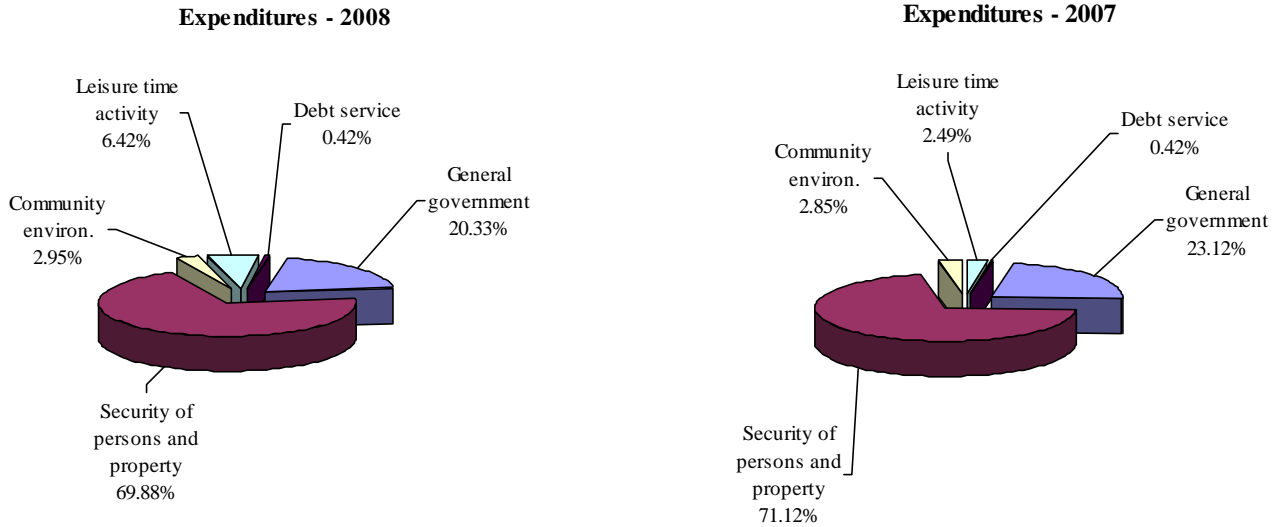
CITY OF CRESTLINE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

The table that follows assists in illustrating the comparison of expenditures of the general fund.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Amount</u> <u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>				
General government	\$ 321,954	\$ 328,804	\$ (6,850)	(2.08) %
Security of persons and property	1,106,733	1,112,176	(5,443)	(0.49) %
Community environment	46,721	41,492	5,229	12.60 %
Leisure time activity	101,750	48,188	53,562	111.15 %
Debt service	<u>6,710</u>	<u>6,710</u>	<u>-</u>	-
Total	<u>\$ 1,583,868</u>	<u>\$ 1,537,370</u>	<u>\$ 46,498</u>	3.02 %

The City increased total expenditures by 3.02%. The largest expenditure line item, security of persons and property decreased slightly compared to 2007. General government expenditures decreased 2.08%, which can primarily be attributed to tighter controls on spending for materials & supplies and professional services. Leisure time activity expenditures increased \$53,562 as a result of an increase in wages and benefits.



Street Construction, Maintenance & Repair Fund

The street construction, maintenance and repair fund had revenues of \$444,020 in 2008. The expenditures of the street construction, maintenance and repair fund totaled \$513,729 in 2008. The fund balance of the street construction, maintenance and repair fund decreased \$69,709 from \$147,766 to \$78,057.

Capital Improvements Fund

The capital improvements fund had revenues and other financing sources of \$322,420 in 2008. The expenditures of the capital improvements fund totaled \$247,885 in 2008. The fund balance of the capital improvements fund increased \$74,535 from \$380,779 to \$455,314.

CITY OF CRESTLINE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008

Proprietary Funds

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

Budgetary information is presented for the general fund. Actual revenues of \$1,925,153 were more than final budgeted revenues by \$336,508. The original and final budgeted expenditures increased \$70,745 from \$1,584,102 to \$1,651,847, respectively. Actual expenditures came in \$34,478 lower than the final budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of 2008, the City had \$11,599,959 (net of accumulated depreciation) invested in land, buildings and improvements, improvements other than buildings, furniture and equipment, vehicles and infrastructure. Of this total, \$5,268,808 was reported in governmental activities and \$6,331,151 was reported in business-type activities. See Note 9 for further description of capital assets. The following table shows 2008 balances compared to 2007:

**Capital Assets at December 31
(Net of Depreciation)**

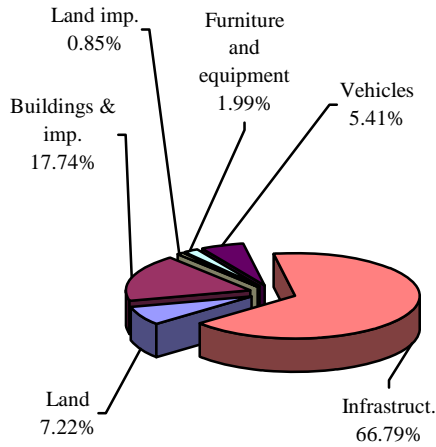
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 380,645	\$ 380,645	\$ 111,558	\$ 111,558	\$ 492,203	\$ 492,203
Construction in progress	-	60,420	-	-	-	60,420
Land improvements	44,694	46,290	14,630	15,960	59,324	62,250
Buildings and improvements	934,364	966,449	1,291,600	1,334,690	2,225,964	2,301,139
Furniture and equipment	104,865	69,423	2,924,296	3,041,756	3,029,161	3,111,179
Vehicles	285,223	241,850	154,601	162,014	439,824	403,864
Infrastructure	3,519,017	3,456,428	-	-	3,519,017	3,456,428
Water and sewer lines	-	-	1,834,466	1,585,960	1,834,466	1,585,960
Totals	<u>\$ 5,268,808</u>	<u>\$ 5,221,505</u>	<u>\$ 6,331,151</u>	<u>\$ 6,251,938</u>	<u>\$ 11,599,959</u>	<u>\$ 11,473,443</u>

CITY OF CRESTLINE, OHIO

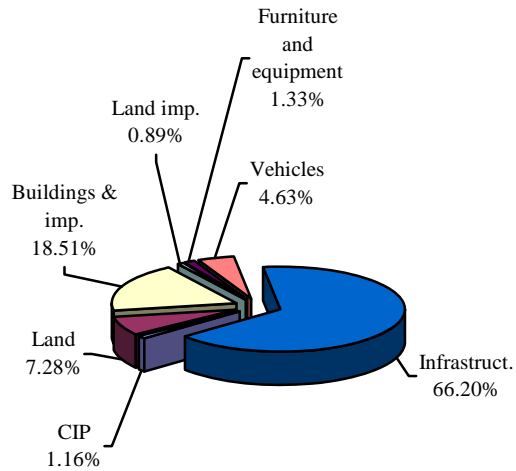
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

The following graphs show the breakdown of governmental capital assets by category for 2008 and 2007.

**Capital Assets - Governmental Activities
2008**



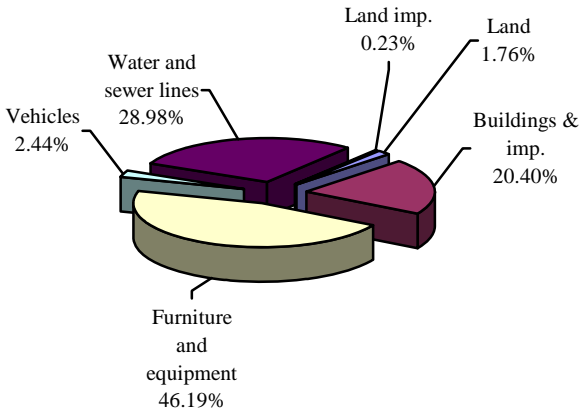
**Capital Assets - Governmental Activities
2007**



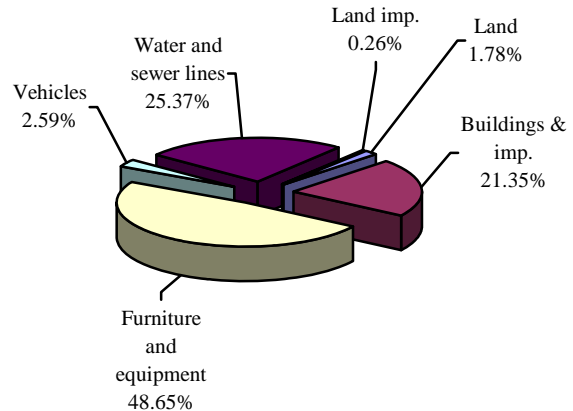
The City's largest capital asset category is infrastructure which includes bridges and streets. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 66.79% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2008 and 2007.

**Capital Assets - Business-Type Activities
2008**



**Capital Assets - Business-Type Activities
2007**



The City's second largest business-type capital asset category is water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's water and sewer lines (cost less accumulated depreciation) represents approximately 28.98% of the City's total business-type capital assets.

CITY OF CRESTLINE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008

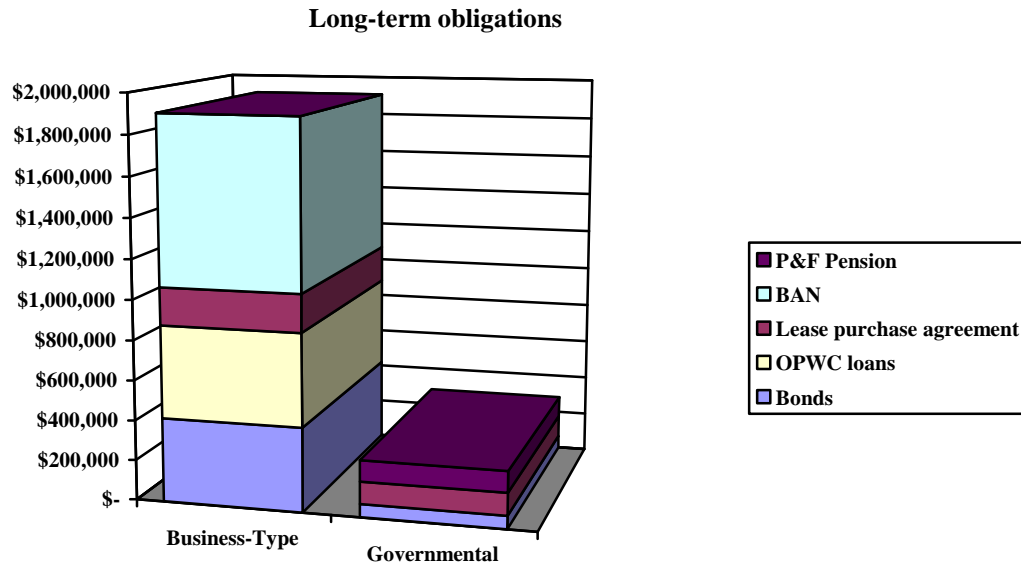
Debt Administration

The City had the following long-term obligations outstanding at December 31, 2008 and 2007:

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Lease purchase agreement	\$ 110,785	\$ -
Police and fire pension	105,977	108,115
General obligation bonds	<u>65,000</u>	<u>130,000</u>
 Total long-term obligations	 <u>\$ 281,762</u>	 <u>\$ 238,115</u>

	<u>Business-type Activities</u>	
	<u>2008</u>	<u>2007</u>
Revenue bonds	\$ 420,000	\$ 545,000
Bond anticipation notes	838,000	853,000
Lease purchase agreement	186,832	211,585
OPWC loans	<u>461,620</u>	<u>488,606</u>
 Total long-term obligations	 <u>\$ 1,906,452</u>	 <u>\$ 2,098,191</u>

A comparison of the long-term obligations by category is depicted in the chart below.



Further detail on the City's long-term obligations can be found in Note 15 to the financial statements.

CITY OF CRESTLINE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008

Economic Conditions and Outlook

The City's current population as of the 2000 Census is 5,088.

The City is located in Crawford County. Crawford County has an unemployment rate of 15%, compared to the 10.1% State average and the 8.9% national 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% in the next biennial State budget. These funds represented 17% of the City's general fund revenue in 2008. Income and property tax revenues are expected to remain consistent as well as expenditures.

These economic factors were considered in preparing the City's budget for 2009. Budgeted revenues and other financing sources in the general fund for 2009 are \$1,291,450. The City has continued to practice conservative budgetary practices in order to preserve a positive financial position in future years.

Contacting the City's Financial Management

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

**BASIC
FINANCIAL STATEMENTS**

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CITY OF CRESTLINE, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2008

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments	\$ 1,447,684	\$ 928,847	\$ 2,376,531
Cash in segregated accounts	12,517	-	12,517
Cash with fiscal agent.	-	174,883	174,883
Receivables (net of allowances for uncollectibles):			
Income taxes	523,758	-	523,758
Property and other taxes	190,039	-	190,039
Accounts	4,305	311,381	315,686
Accrued interest	14,454	-	14,454
Special assessments	1,978	-	1,978
Due from other governments	227,441	-	227,441
Internal balances	118,000	(118,000)	-
Prepayments	20,946	4,972	25,918
Capital assets:			
Land	380,645	111,558	492,203
Depreciable capital assets, net	4,888,163	6,219,593	11,107,756
Total capital assets, net	<u>5,268,808</u>	<u>6,331,151</u>	<u>11,599,959</u>
Total assets.	<u>7,829,930</u>	<u>7,633,234</u>	<u>15,463,164</u>
Liabilities:			
Accounts payable.	26,386	30,604	56,990
Contracts payable.	134,295	-	134,295
Accrued wages and benefits	55,105	20,781	75,886
Due to other governments	39,224	22,426	61,650
Pension obligation payable.	60,489	14,207	74,696
Accrued interest payable.	768	23,280	24,048
Unearned revenue.	176,087	-	176,087
Long-term liabilities:			
Due within one year	115,319	242,451	357,770
Due in more than one year	275,377	1,721,607	1,996,984
Total liabilities	<u>883,050</u>	<u>2,075,356</u>	<u>2,958,406</u>
Net assets:			
Invested in capital assets, net of related debt	5,093,023	4,424,699	9,517,722
Restricted for:			
Capital projects.	620,116	-	620,116
Debt service	96,388	-	96,388
Transportation projects.	242,698	-	242,698
Community environment programs.	50,549	-	50,549
Revenue bond renewal and replacement.	-	60,000	60,000
Revenue bond future debt service.	-	15,000	15,000
Revenue bond current debt service.	-	174,883	174,883
Other purposes	135,196	-	135,196
Unrestricted.	<u>708,910</u>	<u>883,296</u>	<u>1,592,206</u>
Total net assets	<u>\$ 6,946,880</u>	<u>\$ 5,557,878</u>	<u>\$ 12,504,758</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CRESTLINE, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 329,123	\$ 74,621	\$ -	\$ -
Security of persons and property	1,185,452	64,029	-	-
Transportation	666,791	-	397,768	-
Community environment	115,503	79,561	71,416	-
Leisure time activity	154,172	84,861	-	-
Interest and fiscal charges	13,736	-	-	-
Total governmental activities	<u>2,464,777</u>	<u>303,072</u>	<u>469,184</u>	<u>-</u>
Business-type Activities:				
Water	713,318	959,011	-	39,200
Sewer	694,821	706,183	-	-
Ambulance services	158,442	128,158	-	-
Total business-type activities	<u>1,566,581</u>	<u>1,793,352</u>	<u>-</u>	<u>39,200</u>
Total primary government	<u>\$ 4,031,358</u>	<u>\$ 2,096,424</u>	<u>\$ 469,184</u>	<u>\$ 39,200</u>

General Revenues:

Property taxes levied for:
General purposes
Debt service
Police pension
Fire pension
Income taxes levied for:
General purposes
Street construction and maintenance
Capital improvements
Grants and entitlements not restricted to specific programs
Investment earnings
Miscellaneous
Total general revenues
Transfers
Change in net assets
Net assets at beginning of year
Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (254,502)	\$ -	\$ (254,502)
(1,121,423)	-	(1,121,423)
(269,023)	-	(269,023)
35,474	-	35,474
(69,311)	-	(69,311)
(13,736)	-	(13,736)
<u>(1,692,521)</u>	<u>-</u>	<u>(1,692,521)</u>
-	284,893	284,893
-	11,362	11,362
-	(30,284)	(30,284)
<u>-</u>	<u>265,971</u>	<u>265,971</u>
<u>(1,692,521)</u>	<u>265,971</u>	<u>(1,426,550)</u>
164,399	-	164,399
53,943	-	53,943
14,057	-	14,057
14,057	-	14,057
823,686	-	823,686
85,417	-	85,417
168,177	-	168,177
610,416	-	610,416
70,887	-	70,887
104,481	15,364	119,845
2,109,520	15,364	2,124,884
(92,714)	92,714	-
324,285	374,049	698,334
<u>6,622,595</u>	<u>5,183,829</u>	<u>11,806,424</u>
<u>\$ 6,946,880</u>	<u>\$ 5,557,878</u>	<u>\$ 12,504,758</u>

CITY OF CRESTLINE, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	General	Street Construction, Maintenance and Repair	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and investments	\$ 514,459	\$ 205,851	\$ 322,751	\$ 404,623	\$ 1,447,684
Cash in segregated accounts	9,389	-	-	3,128	12,517
Receivables (net of allowance for uncollectibles):					
Income taxes	395,717	43,287	84,754	-	523,758
Property and other taxes	164,587	-	-	25,452	190,039
Accounts	4,305	-	-	-	4,305
Accrued interest	11,562	1,012	-	1,880	14,454
Special assessments	1,978	-	-	-	1,978
Due from other governments	110,348	86,767	-	30,326	227,441
Due from other funds	-	-	-	686	686
Loans to other funds	-	-	118,000	-	118,000
Prepayments	13,985	6,961	-	-	20,946
Total assets	<u>\$ 1,226,330</u>	<u>\$ 343,878</u>	<u>\$ 525,505</u>	<u>\$ 466,095</u>	<u>\$ 2,561,808</u>
Liabilities:					
Accounts payable	\$ 12,211	\$ 10,377	\$ -	\$ 3,798	\$ 26,386
Contracts payable	-	134,295	-	-	134,295
Accrued wages and benefits	50,476	4,629	-	-	55,105
Compensated absences payable	8,084	-	-	-	8,084
Due to other governments	34,062	4,054	-	1,108	39,224
Pension obligation payable	57,711	2,778	-	-	60,489
Due to other funds	686	-	-	-	686
Deferred revenue	445,335	109,688	70,191	29,749	654,963
Unearned revenue	152,503	-	-	23,584	176,087
Total liabilities	<u>761,068</u>	<u>265,821</u>	<u>70,191</u>	<u>58,239</u>	<u>1,155,319</u>
Fund Balances:					
Reserved for encumbrances	11,576	2,687	494	-	14,757
Reserved for prepayments	13,985	6,961	-	-	20,946
Reserved for loans	-	-	118,000	-	118,000
Reserved for debt service	-	-	-	96,409	96,409
Unreserved, undesignated, reported in:					
General fund	439,701	68,409	336,820	-	844,930
Special revenue funds	-	-	-	217,439	217,439
Capital projects funds	-	-	-	94,008	94,008
Total fund balances	<u>465,262</u>	<u>78,057</u>	<u>455,314</u>	<u>407,856</u>	<u>1,406,489</u>
Total liabilities and fund balances	<u>\$ 1,226,330</u>	<u>\$ 343,878</u>	<u>\$ 525,505</u>	<u>\$ 466,095</u>	<u>\$ 2,561,808</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CRESTLINE, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2008

Total governmental fund balances		\$	1,406,489
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			5,268,808
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.			
Income taxes	\$	433,759	
Property and other taxes		13,952	
Fines and forfeitures		4,305	
Special assessments		1,978	
Due from other governments		191,517	
Accrued interest		9,452	
Total		654,963	654,963
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.			(768)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:			
General obligation bonds payable		(65,000)	
Lease purchase agreement payable		(110,785)	
Police and fire pension payable		(105,977)	
Compensated absences payable		(100,850)	
		(382,612)	(382,612)
Net assets of governmental activities		\$	6,946,880

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CRESTLINE, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	General	Street Construction, Maintenance and Repair	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues:					
Municipal income taxes	\$ 807,072	\$ 84,624	\$ 166,809	\$ -	\$ 1,058,505
Property and other taxes	164,489	-	-	86,727	251,216
Charges for services	99,898	-	-	50,774	150,672
Licenses and permits	53,800	-	25,222	-	79,022
Fines and forfeitures	67,954	-	-	6,327	74,281
Intergovernmental	623,311	309,864	-	153,973	1,087,148
Investment income	65,049	6,043	-	11,909	83,001
Rental income	4,020	-	-	-	4,020
Other	34,500	43,489	19,604	7,088	104,681
Total revenues	1,920,093	444,020	211,635	316,798	2,892,546
Expenditures:					
Current:					
General government	321,954	-	-	-	321,954
Security of persons and property	1,106,733	-	-	33,782	1,140,515
Transportation	-	513,729	-	108,819	622,548
Community environment	46,721	-	-	68,782	115,503
Leisure time activity	101,750	-	-	43,999	145,749
Capital outlay	-	-	247,885	14,357	262,242
Debt service:					
Principal retirement	2,138	-	-	65,000	67,138
Interest and fiscal charges	4,572	-	-	9,200	13,772
Total expenditures	1,583,868	513,729	247,885	343,939	2,689,421
Excess (deficiency) of revenues over (under) expenditures	336,225	(69,709)	(36,250)	(27,141)	203,125
Other financing sources:					
Lease purchase agreement	-	-	110,785	-	110,785
Total other financing sources	-	-	110,785	-	110,785
Net change in fund balances	336,225	(69,709)	74,535	(27,141)	313,910
Fund balances at beginning of year	129,037	147,766	380,779	434,997	1,092,579
Fund balances at end of year	\$ 465,262	\$ 78,057	\$ 455,314	\$ 407,856	\$ 1,406,489

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CRESTLINE, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

Net change in fund balances - total governmental funds	\$	313,910
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Capital outlays exceed depreciation expense in the current period accordingly.</p>		
Capital asset additions	\$ 267,541	
Current year depreciation	<u>(220,238)</u>	47,303
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Income taxes	18,775	
Property and other taxes	(4,760)	
Fines and forfeitures	(3,383)	
Special assessments	(1,740)	
Intergovernmental	(23,964)	
Interest	<u>4,302</u>	(10,770)
<p>Issuance of lease purchase agreements is a revenue in the governmental funds, but increases long-term liabilities on the statement of net assets.</p>		
		(110,785)
<p>Repayment of bond, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.</p>		
		67,138
<p>In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.</p>		
		36
<p>Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		<u>17,453</u>
Change in net assets of governmental activities	\$	<u><u>324,285</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CRESTLINE, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Municipal income taxes	\$ 649,885	\$ 649,885	\$ 821,992	\$ 172,107
Property and other taxes	139,976	139,976	164,489	24,513
Charges for services	85,010	85,010	99,898	14,888
Licenses and permits.	45,782	45,782	53,800	8,018
Fines and forfeitures.	60,679	60,679	71,306	10,627
Intergovernmental	530,616	530,616	623,540	92,924
Investment income	43,883	43,883	51,568	7,685
Rental income	3,421	3,421	4,020	599
Other	29,393	29,393	34,540	5,147
Total revenues	<u>1,588,645</u>	<u>1,588,645</u>	<u>1,925,153</u>	<u>336,508</u>
Expenditures:				
Current:				
General government	374,218	380,162	333,166	46,996
Security of persons and property	1,129,245	1,184,245	1,197,793	(13,548)
Community environment	35,249	36,549	46,721	(10,172)
Leisure time activity	45,390	50,891	39,689	11,202
Total expenditures.	<u>1,584,102</u>	<u>1,651,847</u>	<u>1,617,369</u>	<u>34,478</u>
Net change in fund balance	4,543	(63,202)	307,784	370,986
Fund balance at beginning of year	151,758	151,758	151,758	-
Prior year encumbrances appropriated	<u>13,336</u>	<u>13,336</u>	<u>13,336</u>	<u>-</u>
Fund balance at end of year	<u>\$ 169,637</u>	<u>\$ 101,892</u>	<u>\$ 472,878</u>	<u>\$ 370,986</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CRESTLINE, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 STREET CONSTRUCTION, MAINTENANCE & REPAIR FUND
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Municipal income taxes	\$ 55,113	\$ 60,513	\$ 86,529	\$ 26,016
Intergovernmental	197,654	217,019	310,323	93,304
Investment income	2,874	3,155	4,512	1,357
Other	38,916	42,729	61,100	18,371
Total revenues	<u>294,557</u>	<u>323,416</u>	<u>462,464</u>	<u>139,048</u>
Expenditures:				
Current:				
Transportation	415,200	415,200	398,667	16,533
Total expenditures	<u>415,200</u>	<u>415,200</u>	<u>398,667</u>	<u>16,533</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(120,643)</u>	<u>(91,784)</u>	<u>63,797</u>	<u>155,581</u>
Other financing sources:				
Sale of assets.	1,443	1,584	2,265	681
Total other financing sources	<u>1,443</u>	<u>1,584</u>	<u>2,265</u>	<u>681</u>
Net change in fund balance	(119,200)	(90,200)	66,062	156,262
Fund balance at beginning of year	119,564	119,564	119,564	-
Prior year encumbrances appropriated	<u>10,362</u>	<u>10,362</u>	<u>10,362</u>	<u>-</u>
Fund balance at end of year	<u>\$ 10,726</u>	<u>\$ 39,726</u>	<u>\$ 195,988</u>	<u>\$ 156,262</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CRESTLINE, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2008

	Business-type Activities			
	Water	Sewer	Nonmajor	Total
Assets:				
Current assets:				
Equity in pooled cash and investments	\$ 610,343	\$ 125,462	\$ 118,042	\$ 853,847
Receivables (net of allowance for uncollectibles):				
Accounts	147,638	109,532	54,211	311,381
Prepayments	4,355	617	-	4,972
Total current assets	<u>762,336</u>	<u>235,611</u>	<u>172,253</u>	<u>1,170,200</u>
Noncurrent assets:				
Restricted assets:				
Cash with fiscal agent	174,883	-	-	174,883
Equity in pooled cash and cash equivalents	75,000	-	-	75,000
Capital assets:				
Land	74,323	37,235	-	111,558
Depreciable capital assets, net	2,775,214	3,311,856	132,523	6,219,593
Total capital assets	<u>2,849,537</u>	<u>3,349,091</u>	<u>132,523</u>	<u>6,331,151</u>
Total noncurrent assets	<u>3,099,420</u>	<u>3,349,091</u>	<u>132,523</u>	<u>6,581,034</u>
Total assets	<u>3,861,756</u>	<u>3,584,702</u>	<u>304,776</u>	<u>7,751,234</u>
Liabilities:				
Current liabilities:				
Accounts payable	8,071	20,434	2,099	30,604
Accrued wages and benefits	11,606	9,019	156	20,781
Compensated absences	7,278	7,278	-	14,556
Due to other governments	10,486	8,922	3,018	22,426
Loans from other funds	-	118,000	-	118,000
Pension obligation payable	7,446	6,330	431	14,207
Accrued interest payable	4,063	19,217	-	23,280
Current portion of bond anticipation notes payable	-	45,000	-	45,000
Current portion of revenue bonds	130,000	-	-	130,000
Current portion of OPWC loans payable	-	26,986	-	26,986
Current portion of lease purchase agreement	-	25,909	-	25,909
Total current liabilities	<u>178,950</u>	<u>287,095</u>	<u>5,704</u>	<u>471,749</u>
Long-term liabilities:				
Lease purchase agreement	-	160,923	-	160,923
Revenue bonds	290,000	-	-	290,000
OPWC loans	-	434,634	-	434,634
Bond anticipation notes payable	-	793,000	-	793,000
Compensated absences	21,525	21,525	-	43,050
Total long-term liabilities	<u>311,525</u>	<u>1,410,082</u>	<u>-</u>	<u>1,721,607</u>
Total liabilities	<u>490,475</u>	<u>1,697,177</u>	<u>5,704</u>	<u>2,193,356</u>
Net assets:				
Invested in capital assets, net of related debt	2,429,537	1,862,639	132,523	4,424,699
Restricted:				
Revenue bond renewal and replacement	60,000	-	-	60,000
Revenue bond future debt service	15,000	-	-	15,000
Revenue bond current debt service	174,883	-	-	174,883
Unrestricted	<u>691,861</u>	<u>24,886</u>	<u>166,549</u>	<u>883,296</u>
Total net assets	<u>\$ 3,371,281</u>	<u>\$ 1,887,525</u>	<u>\$ 299,072</u>	<u>\$ 5,557,878</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CRESTLINE, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Nonmajor	Total
Operating revenues:				
Charges for services	\$ 959,011	\$ 706,183	\$ 128,158	\$ 1,793,352
Other	9,207	6,145	-	15,352
Total operating revenues	<u>968,218</u>	<u>712,328</u>	<u>128,158</u>	<u>1,808,704</u>
Operating expenses:				
Personal services	364,460	319,688	87,912	772,060
Contract services	82,487	103,317	19,175	204,979
Materials and supplies	97,432	35,154	22,653	155,239
Utilities	33,962	81,401	-	115,363
Depreciation	105,010	117,410	28,187	250,607
Other	596	312	515	1,423
Total operating expenses.	<u>683,947</u>	<u>657,282</u>	<u>158,442</u>	<u>1,499,671</u>
Operating income (loss)	<u>284,271</u>	<u>55,046</u>	<u>(30,284)</u>	<u>309,033</u>
Nonoperating revenues (expenses):				
Other nonoperating revenues.	-	-	12	12
Intergovernmental.	39,200	-	-	39,200
Interest expense and fiscal charges	<u>(29,371)</u>	<u>(37,539)</u>	<u>-</u>	<u>(66,910)</u>
Total nonoperating revenues (expenses)	<u>9,829</u>	<u>(37,539)</u>	<u>12</u>	<u>(27,698)</u>
Income (loss) before capital contributions	294,100	17,507	(30,272)	281,335
Capital contributions	<u>92,714</u>	<u>-</u>	<u>-</u>	<u>92,714</u>
Changes in net assets	386,814	17,507	(30,272)	374,049
Net assets at beginning of year	<u>2,984,467</u>	<u>1,870,018</u>	<u>329,344</u>	<u>5,183,829</u>
Net assets at end of year	<u>\$ 3,371,281</u>	<u>\$ 1,887,525</u>	<u>\$ 299,072</u>	<u>\$ 5,557,878</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CRESTLINE, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Nonmajor	Total
Cash flows from operating activities:				
Cash received from customers	\$ 937,528	\$ 695,550	\$ 126,113	\$ 1,759,191
Cash received from other operations.	9,207	6,145	-	15,352
Cash payments for personal services	(358,088)	(315,972)	(87,534)	(761,594)
Cash payments for contract services	(81,025)	(91,964)	(20,716)	(193,705)
Cash payments for materials and supplies	(97,847)	(35,200)	(21,419)	(154,466)
Cash payments for utilities.	(33,962)	(81,401)	-	(115,363)
Cash payments for other expenses.	(596)	(312)	(515)	(1,423)
Net cash provided by (used in) operating activities.	<u>375,217</u>	<u>176,846</u>	<u>(4,071)</u>	<u>547,992</u>
Cash flows from noncapital financing activities:				
Cash received from nonoperating revenues.	-	-	12	12
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>12</u>	<u>12</u>
Cash flows from capital and related financing activities:				
Cash received from grants and subsidies	39,200	-	-	39,200
Acquisition of capital assets	(235,169)	-	-	(235,169)
Principal retirement on revenue bonds	(125,000)	-	-	(125,000)
Principal retirement on OPWC loans.	-	(26,986)	-	(26,986)
Principal retirement on notes	-	(853,000)	-	(853,000)
Principal retirement on lease purchase agreement.	-	(24,753)	-	(24,753)
Sale of notes.	-	838,000	-	838,000
Interest and fiscal charges.	(27,923)	(46,033)	-	(73,956)
Net cash used in capital and related financing activities	<u>(348,892)</u>	<u>(112,772)</u>	<u>-</u>	<u>(461,664)</u>
Net increase (decrease) in cash and cash equivalents	26,325	64,074	(4,059)	86,340
Cash and cash equivalents at beginning of year	<u>833,901</u>	<u>61,388</u>	<u>122,101</u>	<u>1,017,390</u>
Cash and cash equivalents at end of year.	<u><u>\$ 860,226</u></u>	<u><u>\$ 125,462</u></u>	<u><u>\$ 118,042</u></u>	<u><u>\$ 1,103,730</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 284,271	\$ 55,046	\$ (30,284)	\$ 309,033
Adjustments:				
Depreciation	105,010	117,410	28,187	250,607
Changes in assets and liabilities:				
(Increase) in accounts receivable	(21,483)	(10,633)	(2,045)	(34,161)
Decrease in prepayments	1,621	399	5	2,025
Increase (decrease) in accounts payable	(574)	10,908	(312)	10,022
Increase (decrease) in accrued wages and benefits	942	(467)	(65)	410
Increase in due to other governments	2,017	1,263	414	3,694
Increase (decrease) in pension obligation payable.	298	(195)	29	132
Increase in compensated absences payable.	3,115	3,115	-	6,230
Net cash provided by (used in) operating activities.	<u><u>\$ 375,217</u></u>	<u><u>\$ 176,846</u></u>	<u><u>\$ (4,071)</u></u>	<u><u>\$ 547,992</u></u>

Non-cash transactions:

The Water fund received \$92,714 in capital contributions from the governmental funds for the purchase of capital assets during 2008. At December 31, 2008, the Water fund purchased \$1,937 in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CRESTLINE, OHIO

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2008**

	<u>Private-Purpose Trust</u>
Assets:	
Equity in pooled cash and investments	<u>\$ 21,135</u>
Total assets.	<u>21,135</u>
Net assets:	
Held in trust for other purposes	<u>21,135</u>
Total net assets	<u><u>\$ 21,135</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CRESTLINE, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Private-Purpose Trust
Additions:	
Gifts and contributions.	\$ 7,000
Total additions.	7,000
Deductions:	
Other.	12,894
Changes in net assets	(5,894)
Net assets at the beginning of the year.	27,029
Net assets at the end of the year	\$ 21,135

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 1 - DESCRIPTION OF THE CITY

A. The City

The City of Crestline (the “City”) is a statutory municipal corporation operating under the laws of the State of Ohio. The City was incorporated as a city on April 29, 2001, by proclamation of the Secretary of State of Ohio as a result of the federal census of 2000.

The City operates under a mayor-council form of government. Legislative power is vested in a seven member council plus a council president, each elected to four-year terms. The Mayor, Auditor, Treasurer, and Solicitor are elected to four-year terms. The Service-Safety Director and Magistrate are appointed by the Mayor.

The City 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 City Council through the budgetary process and by the Mayor through administrative and managerial requirements and procedures.

B. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City. For the City, this includes the Mayor’s Court and all departments and activities that are directly operated by the elected City officials.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s Governing Board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization’s resources; (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. There were no component units of the City in 2008.

The City participates in the Ohio Government Risk Management Plan, an insurance purchasing pool. This organization is further described in Note 17 to the basic financial statements.

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 1 - DESCRIPTION OF THE CITY - (Continued)

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. The City does not apply Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, to its business-type activities or to its enterprise funds. The following are the more significant of the City's accounting policies.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. 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 type.

B. Fund Accounting

The City 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. For the City, there are three categories of funds; governmental, proprietary and fiduciary.

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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

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

General fund - The general fund accounts for all financial resources, except those required to be accounted for in another fund. The general fund balance is available to the City 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.

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

Other governmental funds of the City are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; (b) for the accumulation of resources for, and the repayment of, general long-term debt principal, interest and related costs and (c) for grants and other resources, the use of which is restricted to a particular purpose.

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, change in net assets, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service. The City has no internal service funds.

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 City's major enterprise funds:

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

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

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

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City'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 City has no agency funds.

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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

C. Measurement Focus

Government-Wide Financial Statements - The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

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

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of revenues, expenses, and change in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows reflects how the City finances and meets the cash flow needs of its enterprise activities.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; enterprise funds and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

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

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from income taxes is recognized in the year in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: income taxes, charges for services, fines and forfeitures, State-levied locally shared taxes (including gasoline tax and motor vehicle license tax), grants, and interest.

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

Property taxes for which there is an enforceable legal claim as of December 31, 2008, but which were levied to finance year 2009 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at December 31, 2008, are recorded as deferred revenue on the governmental fund financial statements.

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

Expenses/Expenditures - On the accrual basis, expenses are recognized at the time they are incurred.

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

E. 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 revenues and expenditures for those funds receiving tax monies. The certificate of estimated resources establishes a limit on the amount City Council may appropriate. The appropriations ordinance is City Council's authorization to spend resources and sets annual limits on expenditures at the level of control selected by City Council. The legal level of control has been established by City Council at the fund, department, personal services and other level for all funds.

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City Auditor. 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 City 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 City Council during the year.

F. Cash and Investments

To improve cash management, cash received by the City, except cash in segregated accounts or held by a trustee, is pooled and invested. Individual fund integrity is maintained through City records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

Cash and cash equivalents that are held separately within departments of the City are recorded as "cash in segregated accounts".

The City utilizes a financial institution as trustee to service its mortgage revenue bonded debt as principal and interest payments come due. Money held by the trustee is invested in mutual funds and is presented as "cash with fiscal agent".

At December 31, 2008, the City had monies invested in nonnegotiable certificates of deposit, federal agency securities and U.S. Government money market mutual funds. Investments are reported at fair value, except for nonnegotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market prices or current share price for mutual funds.

Interest earnings are allocated to City funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the general fund during 2008 was \$65,049, of which \$52,249 was assigned from other City 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. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2008, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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

H. Restricted Assets

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 assets represent certain resources which are segregated from other resources of the City to comply with various covenants established by bond financing agreements. These assets are generally held in separate accounts of the City 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.

I. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column on the government-wide statement of net assets, but are not reported on the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column on the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The City maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

All capital assets are depreciated, except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure assets were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	50 years	50 years
Land Improvements	20-50 years	100 years
Streets	10-75 years	N/A
Bridges	50 years	N/A
Water, Sewer, and Storm Water Lines	N/A	50 years
Equipment	8-40 years	10-50 years
Vehicles	8-15 years	8-15 years

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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

J. Interfund Receivables/Payables

On fund financial statements, long-term interfund loans and unpaid amounts for interfund services are reported as “loans to/from other funds”. Interfund balances between governmental funds are eliminated on the statement of net assets. Interfund loans between governmental and business-type activities appear as internal balances on the statement of net assets.

On fund financial statements, receivables, and payables resulting from short-term interfund loans are classified as “due to/from other funds”. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the City's termination policy.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise funds are reported on the enterprise fund financial statements.

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

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include activities for permissive motor vehicle license tax, and various police and fire department grants and programs. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The City's water fund has restricted net assets relative to those resources necessary to comply with various covenants of bond financing agreements.

N. Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Fund balance reserves have been established for prepayments, debt service, loans and encumbrances.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the City, these revenues are charges for services for water, sewer, and ambulance services. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

P. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

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

Q. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements. The proprietary funds received \$92,714 in capital contributions from governmental fund during 2008.

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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

R. 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. The City had no extraordinary or special items in 2008.

S. Estimates

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

For 2008, the City has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the City; however, certain disclosures related to postemployment benefits (see Note 13) have been modified to conform to the new reporting requirements.

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

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the City.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statements of revenues, expenditures and changes in fund balances - budget and actual (non-GAAP budgetary basis) presented for the general fund and the major special revenue fund: street construction, maintenance and repair fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP);
2. Expenditures/expenses and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP);

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP); and,
4. Unreported cash represents amounts received, but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented:

Net Change in Fund Balance

	<u>General</u>	Street Construction, Maintenance <u>and Repair</u>
Budget basis	\$ 307,784	\$ 66,062
Net adjustment for revenue accruals	(5,060)	(18,444)
Net adjustment for expenditure accruals	13,239	(123,060)
Net adjustment for other sources/uses	-	(2,265)
Adjustment for encumbrances	<u>20,262</u>	<u>7,998</u>
GAAP basis	<u>\$ 336,225</u>	<u>\$ (69,709)</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City 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 City 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 City 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.

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

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

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash with Fiscal Agent

At year-end, the City had \$174,883 on deposit with Huntington National Bank. Information regarding the City's water system revenue bonds can be obtained from the City Auditor. This amount is not included in the City's depository balance below.

B. Cash on Hand

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

C. Cash in Segregated Accounts

At year-end, the City had \$9,389 deposited with a financial institution for monies related to the Mayor's Court, police auxiliary and food service which is reported as components of the City's general fund and the remaining \$3,128 related to DARE is reported in other governmental funds. This amount is included in the City's depository balance below.

D. Deposits with Financial Institutions

At December 31, 2008, the carrying amount of all City deposits was \$1,382,534. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2008, \$951,036 of the City's bank balance of \$1,463,553 was exposed to custodial risk as discussed below, while \$512,517 was covered by the FDIC.

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

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

E. Investments

As of December 31, 2008, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair 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>
FFCB	\$ 230,963	\$ 195,427	\$ 35,536	\$ -	\$ -	\$ -
FHLB	528,109	156,344	-	25,774	345,991	-
FHLMC	251,491	-	-	10,303	-	241,188
FNMA	12,011	12,011	-	-	-	-
U.S. Government money market mutual fund	4,075	4,075	-	-	-	-
Total	\$ 1,026,649	\$ 367,857	\$ 35,536	\$ 36,077	\$ 345,991	\$ 241,188

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

Credit Risk: The City's investments in federal agency securities carry a rating of AAA by Standard & Poor's and Aaa by Moody's. The U.S. Government money market mutual fund carries a rating of AAAM by Standard & Poor's.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City 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 City's name. The City 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 City Auditor or qualified trustee.

Concentration of Credit Risk: The City 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 City at December 31, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FFCB	\$ 230,963	22.49
FHLB	528,109	51.44
FHLMC	251,491	24.50
FNMA	12,011	1.17
U.S. Government money market mutual fund	4,075	0.40
Total	\$ 1,026,649	100.00

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,382,534
Investments	1,026,649
Cash with fiscal agents	174,883
Cash on hand	<u>1,000</u>
 Total	 <u>\$ 2,585,066</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 1,460,201
Business type activities	1,103,730
Private-purpose trust fund	<u>21,135</u>
 Total	 <u>\$ 2,585,066</u>

NOTE 6 - RECEIVABLES

Receivables at December 31, 2008, consisted of taxes, accounts (billings for user charged services), accrued interest, special assessments and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as “due from other governments” on the basic financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2008, as well as intended to finance fiscal 2008 operations.

A summary of the items of receivables reported on the statement of net assets follows:

Governmental activities:

Income taxes	\$ 523,758
Property and other taxes	190,039
Accounts	4,305
Accrued interest	14,454
Special assessments	1,978
Intergovernmental	227,441

Business-type activities:

Accounts	311,381
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**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 7 - MUNICIPAL INCOME TAXES

The City levies and collects an income tax of 2% based on all income earned within the City as well as on the income of residents earned outside the City. In the latter case, the City allows a credit of 75% of the tax paid to another municipality. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City 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 City's income tax is distributed to the general fund, street construction and maintenance fund, and capital improvements fund.

NOTE 8 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. 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. 2008 public utility property taxes became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 2008 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the true value as of December 31, 2007. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 6.25% for 2008. This percentage will be reduced to zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2008-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 8 - PROPERTY TAXES - (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Crestline. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2008 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2008 operations and the collection of delinquent taxes has been 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 have been recorded as a receivable and revenue.

The full tax rate for all City operations for the year ended December 31, 2008 was \$7.20 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 41,678,570
Commercial/industrial	9,554,210
Tangible personal property	105,089
<u>Public utility</u>	
Personal	<u>1,368,940</u>
Total assessed value	<u>\$ 52,706,809</u>

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 9 - CAPITAL ASSETS

The following activity occurred in the City's governmental activities and business-type activities capital assets during 2008:

	Balance <u>12/31/07</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>12/31/08</u>
<u>Governmental activities:</u>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 380,645	\$ -	\$ -	\$ 380,645
Construction in progress	60,420	-	(60,420)	-
Total capital assets, not being depreciated	<u>441,065</u>	<u>-</u>	<u>(60,420)</u>	<u>380,645</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	92,868	-	-	92,868
Buildings	1,765,363	-	-	1,765,363
Equipment	261,029	51,941	-	312,970
Vehicles	989,857	130,785	-	1,120,642
Infrastructure:				
Streets	5,476,364	84,815	-	5,561,179
Bridges	56,486	60,420	-	116,906
Total capital assets, being depreciated	<u>8,641,967</u>	<u>327,961</u>	<u>-</u>	<u>8,969,928</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(46,578)	(1,596)	-	(48,174)
Buildings	(798,914)	(32,085)	-	(830,999)
Equipment	(191,606)	(16,499)	-	(208,105)
Vehicles	(748,007)	(41,442)	-	(789,449)
Infrastructure:				
Streets	(2,044,782)	(126,278)	-	(2,171,060)
Bridges	(31,640)	(2,338)	-	(33,978)
Total accumulated depreciation	<u>(3,861,527)</u>	<u>(220,238)</u>	<u>-</u>	<u>(4,081,765)</u>
Total capital assets, being depreciated, net	<u>4,780,440</u>	<u>107,723</u>	<u>-</u>	<u>4,888,163</u>
Governmental activities capital assets, net	<u>\$ 5,221,505</u>	<u>\$ 107,723</u>	<u>\$ (60,420)</u>	<u>\$ 5,268,808</u>

Depreciation expense was charged to functions/programs of the City as follows:

<u>Governmental activities:</u>	
General government	\$ 7,130
Security of persons and property	62,429
Leisure time activities	8,423
Transportation	<u>142,256</u>
Total depreciation expense - governmental activities	<u>\$ 220,238</u>

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 9 - CAPITAL ASSETS - (Continued)

<u>Business-type activities:</u>	<u>Balance</u> <u>12/31/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/08</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 111,558	\$ -	\$ -	\$ 111,558
Total capital assets, not being depreciated	<u>111,558</u>	<u>-</u>	<u>-</u>	<u>111,558</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	133,000	-	-	133,000
Buildings	2,159,900	-	-	2,159,900
Water, sewer, and storm water lines	2,569,797	306,022	-	2,875,819
Equipment	4,764,994	3,798	-	4,768,792
Vehicles	<u>474,117</u>	<u>20,000</u>	<u>-</u>	<u>494,117</u>
Total capital assets, being depreciated	<u>10,101,808</u>	<u>329,820</u>	<u>-</u>	<u>10,431,628</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(117,040)	(1,330)	-	(118,370)
Buildings	(825,210)	(43,090)	-	(868,300)
Water, sewer, and storm water lines	(983,837)	(57,516)	-	(1,041,353)
Equipment	(1,723,238)	(121,258)	-	(1,844,496)
Vehicles	<u>(312,103)</u>	<u>(27,413)</u>	<u>-</u>	<u>(339,516)</u>
Total accumulated depreciation	<u>(3,961,428)</u>	<u>(250,607)</u>	<u>-</u>	<u>(4,212,035)</u>
Total capital assets, being depreciated, net	<u>6,140,380</u>	<u>79,213</u>	<u>-</u>	<u>6,219,593</u>
Business-type activities capital assets, net	<u>\$ 6,251,938</u>	<u>\$ 79,213</u>	<u>\$ -</u>	<u>\$ 6,331,151</u>

Depreciation expense was charged to functions/programs of the City as follows:

Business-type activities:	
Sewer	\$ 117,410
Water	105,010
Ambulance	<u>28,187</u>
Total depreciation expense - business-type activities	<u>\$ 250,607</u>

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 10 - INTERFUND TRANSACTIONS

- A. Due from/to other funds consisted of the following at December 31, 2008, as reported on the fund financial statements:

<u>Due from</u>	<u>Due to</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 686</u>

These balances resulted from a time lag between the dates that (1) interfund goods and services are provided, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

- B. Loans to/from other funds consisted of the following at December 31, 2008, as reported on the fund financial statements:

<u>Loan from</u>	<u>Loan to</u>	<u>Amount</u>
Capital improvement	Sewer	<u>\$ 118,000</u>

This interfund balance is expected to be repaid in future years as resources become available. On the statement of net assets this interfund activity appears as internal balances between governmental and business-type activities.

NOTE 11 - RISK MANAGEMENT

A. Property and Casualty Insurance

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2008, the City contracted for the following insurance coverage.

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
General Liability		
Each Occurrence	\$ 1,000,000	\$ -
Annual Aggregate	3,000,000	-
Employer's Liability	1,000,000	-
Wrongful Acts Liability		
Each Occurrence	1,000,000	5,000
Annual Aggregate	1,000,000	5,000
Excess Liability		
Each Occurrence	2,000,000	-
Annual Aggregate	2,000,000	-
Law Enforcement Officers Liability		
Each Occurrence	1,000,000	5,000
Annual Aggregate	1,000,000	5,000

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 11 - RISK MANAGEMENT - (Continued)

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Property (building and contents)	12,247,565	1,000
Inland Marine	662,759	1,000
Automobile Coverage		
Liability	1,000,000	-
Medical Payments	10,000	-

The City belongs to the Ohio Government Risk Management Plan (the “Plan”), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments (“Members”).

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member’s needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member’s deductible.

The Plan issues its own policies and reinsures with A-VII or better rated carriers, except for a 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan’s audited financial statements conform with accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$ 10,471,114	\$ 11,136,455
Liabilities	<u>(5,286,781)</u>	<u>(4,273,553)</u>
Members' Equity	<u>\$ 5,184,333</u>	<u>\$ 6,862,902</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan’s website, www.ohioplan.org.

Workers’ Compensation coverage is provided by the State of Ohio. The City pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

B. Employee Health Benefits

The City 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 City pays 75% of the premiums for health insurance and 100% of the premiums for dental insurance.

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 11 - RISK MANAGEMENT - (Continued)

There has been no significant reduction in insurance coverage from 2007 and no insurance settlement has exceeded insurance coverage during the last three years.

NOTE 12 - PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The City 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. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension 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 that may be obtained by 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 Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2008 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.10%.

The City's contribution rate for 2008 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.40% of covered payroll. For 2008, a portion equal to 7.00% of covered payroll was allocated to fund the post-employment health care plan.

The City's contribution rate for pension benefits for 2008 was 7.00%, except for those plan members in law enforcement and public safety. For those classifications, the City's pension contributions were 10.40% of covered payroll. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2008, 2007, and 2006 were \$67,797, \$75,650, and \$85,719, respectively; 85.68% has been contributed for 2008 and 100% has been contributed for 2007 and 2006.

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 12 - PENSION PLANS - (Continued)

B. Ohio Police and Fire Pension Fund

Plan Description - The City 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 City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2008, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$42,033 and \$44,611 for the year ended December 31, 2008, \$45,116 and \$51,522 for the year ended December 31, 2007, and \$36,542 and \$44,178, for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 67.08% has been contributed for police and firefighters for 2008.

NOTE 13 - 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.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by 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 administrated 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.

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 13 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14.00% of covered payroll (17.40% for public safety and law enforcement). 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 amount of the employer contributions which was allocated to fund post-employment healthcare for 2008 was 7.00% of covered payroll.

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 City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$67,797, \$50,357, and \$41,928, respectively; 85.68% has been contributed for 2008 and 100% has been contributed for 2007 and 2006.

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 increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

Plan Description - The City 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.

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 OP&F's post-employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively.

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 13 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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, 2008, 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. Active members do not make contributions to the OPEB Plan.

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$22,253 and \$17,457 for the year ended December 31, 2008, \$23,868 and \$20,136 for the year ended December 31, 2007, and \$24,058 and \$21,078, for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 67.08% has been contributed for police and firefighters for 2008.

NOTE 14 - COMPENSATED ABSENCES

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

City 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 City policy and union contracts. All employees with ten or more years of full-time service with the City, who elect to retire, are entitled to receive one-third of the value of their accumulated unused sick leave up to a maximum of three hundred twenty 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. Compensated absences are recorded in the fund from which the liability is recorded.

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 15 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2008, was as follows:

	Interest Rate	Balance Outstanding 12/31/07	Issued	Retired	Balance Outstanding 12/31/08	Amount Due in One Year
<u>Governmental activities:</u>						
General obligation bonds						
1992 City Hall bonds	5.88%	\$ 130,000	\$ -	\$ (65,000)	\$ 65,000	\$ 65,000
Other long-term obligations						
Lease purchase agreement payable		-	110,785	-	110,785	13,566
Police and fire pension liability		108,115	-	(2,138)	105,977	2,229
Compensated absences payable		118,303	12,005	(21,374)	108,934	34,524
Total other long-term obligations		<u>226,418</u>	<u>122,790</u>	<u>(23,512)</u>	<u>325,696</u>	<u>50,319</u>
Total governmental long-term liabilities		<u>\$ 356,418</u>	<u>\$ 122,790</u>	<u>\$ (88,512)</u>	<u>\$ 390,696</u>	<u>\$ 115,319</u>

		Balance Outstanding 12/31/07	Issued	Retired	Balance Outstanding 12/31/08	Amount Due in One Year
<u>Business-type Activities</u>						
Mortgage Revenue Bonds						
1996 Water Bonds	5.8-5.9%	\$ 545,000	\$ -	\$ (125,000)	\$ 420,000	\$ 130,000
OPWC loans						
West Side Storm Sewer		434,248	-	(24,125)	410,123	24,125
Cloverdale Ave. Sewer Replacement		54,358	-	(2,861)	51,497	2,861
Total OPWC loans		<u>488,606</u>	<u>-</u>	<u>(26,986)</u>	<u>461,620</u>	<u>26,986</u>
Bond Anticipation Notes		853,000	838,000	(853,000)	838,000	45,000
Other Long-Term Obligations						
Lease purchase agreement payable		211,585	-	(24,753)	186,832	25,909
Compensated absences payable		51,376	19,064	(12,834)	57,606	14,556
Total other long-term obligations		<u>262,961</u>	<u>19,064</u>	<u>(37,587)</u>	<u>244,438</u>	<u>40,465</u>
Total business-type long-term liabilities		<u>\$ 2,149,567</u>	<u>\$ 857,064</u>	<u>\$ (1,042,573)</u>	<u>\$ 1,964,058</u>	<u>\$ 242,451</u>

General Obligation Bonds

The City Hall Bonds were issued for constructing, furnishing, and equipping new facilities to house municipal operations, including the police and fire departments. The bonds pledge the full faith and credit and taxing ability of the City. As of December 31, 2008, the balance of unpaid principal was \$65,000, with the final principal payment due in 2009.

Mortgage Revenue Bonds

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

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 15 - LONG-TERM OBLIGATIONS - (Continued)

Fund assets, whose use are restricted under the bond indenture, are presented as restricted assets on the statement of net assets. At December 31, 2008, restricted assets relating to the 1996 water mortgage revenue bonds were as follows:

Restricted assets held by the city	
Renewal and replacement	\$ 60,000
Future debt service	15,000
Restricted assets held by the trustees	
Current debt service	174,883

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. Annual principal and interest payments on the bonds are expected to require less than 39.82 percent of net revenues. As of December 31, 2008, the balance of unpaid principal was \$420,000, with future annual payments ranging from \$130,000 to \$150,000 through 2011.

The bonds maturing on or after December 1, 2007, are subject to prior redemption, by and at the sole option of the City, either in whole or in part, on any date on or after December 1, 2006, in integral multiple of \$5,000, at the following redemption prices (expressed as percentages of the principal amount redeemed) plus accrued interest to the redemption date:

<u>Redemption Dates</u>	<u>Redemption Price</u>
December 1, 2007 through November 30, 2008	101 percent
December 1, 2008 and thereafter	100 percent

Bond Anticipation Notes

The sewer improvement notes were issued on March 26, 2008 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 3.00% interest rate and have a maturity date of March 25, 2009.

A portion of the bond anticipation notes will be rolled over at their maturity, see Note 19.

Lease Purchase Agreement

Lease purchase agreements will be paid from the fund that maintains custody of the related assets, see Note 16.

Police and Fire Pension Liability

The City 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.

Compensated Absences Payable

The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds include the general fund and the water and sewer funds.

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 15 - LONG-TERM OBLIGATIONS - (Continued)

OPWC Loans

OPWC loans consist of money owed to the Ohio Public Works Commission for the replacement of the West side storm sewer, upgrades to the City's wastewater treatment plant and for the replacement of the Cloverdale avenue sewer. The loans are interest free. OPWC loans are payable solely from the gross revenues of the Sewer enterprise fund.

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 City'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 City'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, 2008, the City's total debt margin was \$5,622,903 and the unvoted debt margin was \$2,829,830.

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

Year Ending December 31,	Governmental Activities					
	G. O. Bonds			Police and Fire Pension		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 65,000	\$ 3,819	\$ 68,819	\$ 2,229	\$ 4,481	\$ 6,710
2010	-	-	-	2,325	4,385	6,710
2011	-	-	-	2,425	4,285	6,710
2012	-	-	-	2,529	4,182	6,711
2013	-	-	-	2,637	4,072	6,709
2014 - 2018	-	-	-	14,988	18,562	33,550
2019 - 2023	-	-	-	18,494	15,055	33,549
2024 - 2028	-	-	-	22,822	10,725	33,547
2029 - 2033	-	-	-	28,162	5,386	33,548
2034 - 2035	-	-	-	9,366	395	9,761
Total	<u>\$ 65,000</u>	<u>\$ 3,819</u>	<u>\$ 68,819</u>	<u>\$ 105,977</u>	<u>\$ 71,528</u>	<u>\$ 177,505</u>

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 15 - LONG-TERM OBLIGATIONS - (Continued)

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

Year Ending December 31,	Business-Type Activities					
	Mortgage Revenue Bonds			OPWC Loans		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 130,000	\$ 24,380	\$ 154,380	\$ 26,986	\$ -	\$ 26,986
2010	140,000	16,970	156,970	26,986	-	26,986
2011	150,000	8,850	158,850	26,986	-	26,986
2012	-	-	-	26,986	-	26,986
2013	-	-	-	26,986	-	26,986
2014 - 2018	-	-	-	134,929	-	134,929
2019 - 2023	-	-	-	134,929	-	134,929
2024 - 2027	-	-	-	56,832	-	56,832
Total	<u>\$ 420,000</u>	<u>\$ 50,200</u>	<u>\$ 470,200</u>	<u>\$ 461,620</u>	<u>\$ -</u>	<u>\$ 461,620</u>

NOTE 16 - LESSEE DISCLOSURES

A. Lease Purchase Agreement - Governmental Activities

During 2008, the City 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. Lease payments are reflected as a liability on the statement of net assets.

Principal payments will be made from the capital improvements fund beginning in 2009.

The assets acquired through capital leases are as follows:

	<u>Governmental activities</u>
Property under lease purchase agreement	\$ 110,785
Less: accumulated depreciation	<u>(3,693)</u>
Total	<u>\$ 107,092</u>

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 16 - LESSEE DISCLOSURES - (Continued)

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, 2008:

<u>Year Ending December 31,</u>	<u>Amount</u>
2009	\$ 19,215
2010	19,215
2011	19,215
2012	19,215
2013	19,215
2014 - 2015	<u>38,430</u>
Total	<u>134,505</u>
Less: amount representing interest	<u>(23,720)</u>
Present value of net minimum lease payments	<u>\$ 110,785</u>

B. Lease Purchase Agreement - Business-Type Activities

During 2007, the City entered into a lease purchase agreement for sewer equipment. 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. Lease payments are reflected as a reduction of the liability in the enterprise funds.

Principal payments in 2008 were \$24,753 were made in the sewer fund.

The assets acquired through capital leases are as follows:

	<u>Business-type activities</u>
Property under lease purchase agreement	\$ 246,219
Less: accumulated depreciation	<u>(32,829)</u>
Total	<u>\$ 213,390</u>

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 16 - LESSEE DISCLOSURES - (Continued)

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, 2008:

<u>Year Ending December 31,</u>	<u>Amount</u>
2009	\$ 34,634
2010	34,634
2011	34,634
2012	<u>110,340</u>
Total	<u>214,242</u>
Less: amount representing interest	<u>(27,410)</u>
Present value of net minimum lease payments	<u>\$ 186,832</u>

NOTE 17 - INSURANCE PURCHASING POOL

The City participates in the Ohio Government Risk Management Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by an eleven member board consisting of public officials selected from the membership. Financial information can be obtained from Ohio Government Risk Management Plan, 420 Madison Avenue, Toledo, Ohio 43204.

NOTE 18 - CONTINGENCIES

A. Litigation

The City is party to other legal proceedings as a defendant. The outcome of the legal proceedings is not presently determinable.

B. Federal and State Grants

The City 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 City believes such disallowances, if any, would be immaterial.

NOTE 19 - SUBSEQUENT EVENTS

On March 25, 2009, the City rolled over a portion of its bond anticipation notes. The new notes were issued in the amount of \$793,000, at an interest rate of 4.40%, and have a maturity date of March 24, 2010.

The City Auditor resigned on May 8, 2009. Kelly Kurtzman is the interim City Auditor.



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**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Members of Council and Mayor
City of Crestline
100 North Seltzer Street
Crestline, Ohio 44827

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 City of Crestline, Crawford County, Ohio, as of and for the year ended December 31, 2008, which collectively comprise the City of Crestline's basic financial statements and have issued our report thereon dated June 26, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Crestline's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Crestline's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the City of Crestline's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Crestline's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Crestline's financial statements that is more than inconsequential will not be prevented or detected by the City of Crestline's internal control.

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

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

Members of Council and Mayor
City of Crestline

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Crestline's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2008-COC-001.

The City of Crestline's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City of Crestline's response, and, accordingly, we express no opinion on it.

We noted certain matters that we reported to the management of the City of Crestline in a separate letter dated June 26, 2009.

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



Julian & Grube, Inc.
June 26, 2009

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2008**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2008-COC-001

Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the disbursement of monies 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.

During the audit for the year ended December 31, 2008, 25% of expenditures tested were not certified in a timely manner.

Without timely certification, the City may expend more funds than available in the treasury, in the process of collection or than funds appropriated. In addition, by purchasing items prior to Council approval or absent the fiscal officer's certificate process, the potential for unnecessary purchases or items for improper public purpose cannot be prevented if approval is after the fact.

We recommend that the City implement a policy and procedure for the use of fiscal officer certificates to help ensure that the disbursements are timely certified. This will help ensure that all monies expended are lawfully appropriated and available in the treasury or in the process of collection. The City should issue approved fiscal officer certificates and consider using regular blanket and super blanket purchase orders, and/or "Then and Now" certificates where applicable.

Client Response: The City Auditor will attempt to certify disbursements in a more timely manner.

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</u>
2007-COC-001	SAS No. 112 established standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. A misstatement was identified in the financial statements for the year under audit that was not initially identified by the City's internal control.	Yes	N/A
2007-COC-002	Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the disbursement of monies are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract have 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.	No	Repeated as finding 2008-COC-001



Mary Taylor, CPA
Auditor of State

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
AUGUST 20, 2009**