

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

FINANCIAL STATEMENTS
(AUDITED)

FOR THE YEAR ENDED
DECEMBER 31, 2012

GLORIA MCDONALD, FISCAL OFFICER



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Crestline, Crawford County, prepared by Julian & Grube, Inc., for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Crestline is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

July 1, 2013

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**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

TABLE OF CONTENTS

Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 14
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position - Cash Basis	15
Statement of Activities - Cash Basis.....	16 - 17
Fund Financial Statements:	
Statement of Assets and Fund Cash Balances - Cash Basis - Governmental Funds.....	18
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - Cash Basis - Governmental Funds	19
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance - Budget and Actual - Budgetary Basis -	
General Fund	20
Street Construction, Maintenance and Repair Fund	21
Statement of Net Position - Cash Basis - Proprietary Funds	22
Statement of Cash Receipts, Cash Disbursements and Changes in Net Cash Position - Cash Basis - Proprietary Funds.....	23
Statement of Net Position - Cash Basis - Fiduciary Fund.....	24
Statement of Cash Additions, Cash Deductions and Changes in Net Cash Position - Fiduciary Fund.....	25
Notes to the Basic Financial Statements	26 - 51
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	52 - 53
Schedule of Findings and Responses.....	54 - 56
Status of Prior Audit Findings	57 - 58

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Members of Council and Mayor:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Crestline, Crawford County, Ohio, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Village of Crestline's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Crestline, Crawford County, Ohio, as of December 31, 2012, and the respective changes in cash financial position and the respective budgetary comparison for the General and Street Construction, Maintenance and Repair funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2012, the Village of Crestline adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the Village of Crestline's financial statements that collectively comprise its basic financial statements. *Management's Discussion & Analysis* includes tables of net cash position, changes in net cash position, governmental activities, fund balances, general fund cash receipts and cash disbursements and long-term debt. These tables provide additional analysis and are not a required part of the basic financial statements.

These tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2013, on our consideration of the Village of Crestline's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Crestline's internal control over financial reporting and compliance.



Julian & Grube, Inc.
May 30, 2013

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

The management's discussion and analysis of the Village of Crestline's (the "Village") financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2012, within the limitations of the Village's cash basis of accounting. The intent of this discussion and analysis is to look at the Village's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Village's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- The total net cash position of the Village decreased \$432,170. The net cash position of governmental activities decreased \$188,056 or 34.44% from 2011 and the net cash position of business-type activities decreased \$244,114 or 18.27% from 2011.
- General cash receipts accounted for \$1,622,383 or 65.14% of total governmental activities cash receipts. Program specific cash receipts accounted for \$868,203 or 34.86% of total governmental activities cash receipts.
- The Village had \$2,678,642 in cash disbursements related to governmental activities; \$868,203 of these cash disbursements were offset by program specific charges for services, grants or contributions. The remaining cash disbursements of the governmental activities were partially offset by general cash receipts (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$1,622,383.
- The Village's major governmental funds include the general fund, the street construction, maintenance and repair fund and the capital improvements fund. The general fund had cash receipts and other financing sources of \$1,605,729 in 2012. The cash disbursements and other financing uses of the general fund totaled \$1,590,053 in 2012. The fund cash balance of the general fund increased \$15,676 from \$70,739 to \$86,415.
- The street construction, maintenance and repair fund had cash receipts and other financing sources of \$319,990 in 2012. The cash disbursements of the street construction, maintenance and repair fund totaled \$369,420 in 2012. The fund cash balance of the street construction, maintenance and repair fund decreased \$49,430 from \$62,367 to \$12,937.
- The capital improvements fund had cash receipts of \$186,181 in 2012. The cash disbursements of the capital improvements fund totaled \$297,893 in 2012. The fund cash balance of the capital improvements fund decreased \$111,712 from \$184,302 to \$72,590.
- Net cash position for the business-type activities, which are composed of the water, sewer, and ambulance services enterprise funds, decreased \$244,114 from \$1,335,889 to \$1,091,775.
- In the general fund, actual budgetary basis receipts and other financing sources totaled \$1,488,025 and actual budgetary basis disbursements and other financing uses totaled \$1,524,457.

Using the Basic Financial Statements

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

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Report Components

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

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Village's most significant funds, with all other nonmajor funds presented in total in a single column. For the Village, the general fund is the most significant fund. The Village's major governmental funds are the general fund, the street construction, maintenance and repair fund and capital improvements fund. The Village's major enterprise funds are the water fund and the sewer fund.

Basis of Accounting

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

As a result of the use of this cash basis of accounting, certain assets and deferred outflows of resources, liabilities and deferred inflows of resources, and the effects of these items on revenues and expenses are not recorded in these financial statements; therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Village as a Whole

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

The statement of net position – cash basis and the statement of activities - cash basis answer the question, "How did the Village perform financially during 2012?" These statements include only net cash position using the cash basis of accounting, which is a basis of accounting other than GAAP. This basis of accounting takes into account only the current year receipts and disbursements if the cash is actually received or paid.

These two statements report the Village's net cash position and changes in those net cash position on a cash basis. This change in net cash position is important because it tells the reader that, for the Village as a whole, the cash basis financial position of the Village has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Village's property tax base, sales tax receipts, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and State programs and other factors.

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

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

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

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Fund Financial Statements

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

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

Governmental Funds

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

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements as related to the cash basis of accounting.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012

Government-Wide Financial Analysis

The statement of net position - cash basis serves as a useful indicator of a government's financial position. The table below provides a summary of the Village's net cash position at December 31, 2012 and December 31, 2011.

	Net Cash Position					
	Governmental Activities 2012	Business-type Activities 2012	Governmental Activities 2011	Business-type Activities 2011	2012 Total	2011 Total
	<u>2012</u>	<u>2012</u>	<u>2011</u>	<u>2011</u>	<u>Total</u>	<u>Total</u>
<u>Assets</u>						
Equity in pooled cash and cash equivalents	\$ 339,238	\$ 1,091,775	\$ 530,971	\$ 1,335,889	\$ 1,431,013	\$ 1,866,860
Cash in segregated accounts	18,818	-	15,141	-	18,818	15,141
Total assets	<u>358,056</u>	<u>1,091,775</u>	<u>546,112</u>	<u>1,335,889</u>	<u>1,449,831</u>	<u>1,882,001</u>
<u>Net cash position</u>						
Restricted	167,387	-	247,029	-	167,387	247,029
Unrestricted	<u>190,669</u>	<u>1,091,775</u>	<u>299,083</u>	<u>1,335,889</u>	<u>1,282,444</u>	<u>1,634,972</u>
Total net cash position	<u>\$ 358,056</u>	<u>\$ 1,091,775</u>	<u>\$ 546,112</u>	<u>\$ 1,335,889</u>	<u>\$ 1,449,831</u>	<u>\$ 1,882,001</u>

The total net cash position of the Village decreased \$432,170. Net cash position of the governmental activities decreased \$188,056 or 34.44% from 2011, and the net cash position of business-type activities decreased \$244,114 or 18.27% from 2011.

At December 31, 2012, a portion of the Village's net cash position, \$167,387, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$1,282,444 may be used to meet the government's ongoing obligations to citizens and creditors.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

The table below shows the changes in net cash position for 2012 and 2011.

	Change in Net Cash Position					
	Governmental		Business-type		2012	2011
	Activities	Activities	Activities	Activities		
	2012	2012	2011	2011	Total	Total
Cash receipts:						
Program receipts:						
Charges for services	\$ 321,064	\$ 1,607,482	\$ 281,532	\$ 1,951,265	\$ 1,928,546	\$ 2,232,797
Operating grants and contributions	423,118	-	708,845	-	423,118	708,845
Capital grants and contributions	124,021	319,630	143,398	-	443,651	143,398
Total program receipts	868,203	1,927,112	1,133,775	1,951,265	2,795,315	3,085,040
General receipts:						
Property taxes	183,255	-	187,038	-	183,255	187,038
Income taxes	1,148,054	-	1,070,171	-	1,148,054	1,070,171
Unrestricted grants and entitlements	179,984	-	296,058	-	179,984	296,058
Issuance of debt	-	1,017,671	-	795,578	1,017,671	795,578
Investment earnings	15,180	-	16,714	-	15,180	16,714
Miscellaneous	95,910	24,237	60,836	20,489	120,147	81,325
Total general receipts	1,622,383	1,041,908	1,630,817	816,067	2,664,291	2,446,884
Total cash receipts	2,490,586	2,969,020	2,764,592	2,767,332	5,459,606	5,531,924
Cash disbursements:						
General government	298,008	-	341,875	-	298,008	341,875
Security of persons and property	1,175,130	-	1,299,889	-	1,175,130	1,299,889
Transportation	413,992	-	522,493	-	413,992	522,493
Community environment	61,654	-	463,569	-	61,654	463,569
Leisure time activity	137,890	-	98,926	-	137,890	98,926
Capital outlay	566,042	-	139,308	-	566,042	139,308
Debt service:						
Principal retirement	18,277	-	16,184	-	18,277	16,184
Interest and fiscal charges	7,649	-	6,388	-	7,649	6,388
Water	-	885,097	-	872,087	885,097	872,087
Sewer	-	2,130,828	-	1,761,618	2,130,828	1,761,618
Ambulance services	-	197,209	-	142,994	197,209	142,994
Total cash disbursements	2,678,642	3,213,134	2,888,632	2,776,699	5,891,776	5,665,331
Change in net cash position	(188,056)	(244,114)	(124,040)	(9,367)	(432,170)	(133,407)
Net cash position at beginning of year	546,112	1,335,889	670,152	1,345,256	1,882,001	2,015,408
Net cash position at end of year	\$ 358,056	\$ 1,091,775	\$ 546,112	\$ 1,335,889	\$ 1,449,831	\$ 1,882,001

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

The operating grants and contributions and community environment cash disbursements of the governmental activities decreased during 2012 due to significant housing project activity recorded in the community development block grant fund in the prior year. Capital outlay cash disbursements of the governmental activities increased due to more construction activity during 2012 and higher capital asset acquisitions.

During 2012 the cash disbursements of the business-type activities increased 1.49%, 20.96%, and 37.91% for water, sewer, and ambulance services, respectively, from the prior year. Sewer disbursements increased due to higher materials, supplies, and capital-related acquisitions during 2012, while ambulance services disbursements increased due to higher salaries and employee benefits paid during the year. These disbursements were offset partially by program receipts of \$1,927,112. A 17.62% decrease in charges for services program receipts of the business-type activities is attributable to lower water and sewer fees received during the year. This decrease was partially offset by capital grants and contributions of the sewer enterprise fund.

Governmental Activities

Governmental activities net cash position decreased \$188,056 in 2012.

Security of persons and property disbursements primarily support the operations of the police and fire department and which totaled \$1,175,130 during 2012, accounting for 43.87% of total governmental activities cash disbursements of the Village. Security of persons and property cash disbursements were partially funded by direct charges to users of \$67,209 and operating grants and contributions of \$152,725.

General government cash disbursements totaled \$298,008. General government cash disbursements were partially funded by \$89,048 in direct charges to users of the services.

Transportation cash disbursements of \$413,992 were partially funded by \$232,220 in operating grants and contributions and \$124,021 in capital grants and contributions.

Community environment cash disbursements of \$61,654 were funded by \$75,749 in direct charges to users and \$36,894 in operating grants and contributions.

The State and federal government contributed to the Village a total of \$423,118 in operating grants and contributions. These program cash receipts are restricted to a particular program or purpose. Of the total operating grants and contributions, \$152,725 subsidized security of persons and property, \$232,220 subsidized transportation programs, \$36,894 subsidized community environment activities and \$1,279 subsidized leisure time activities.

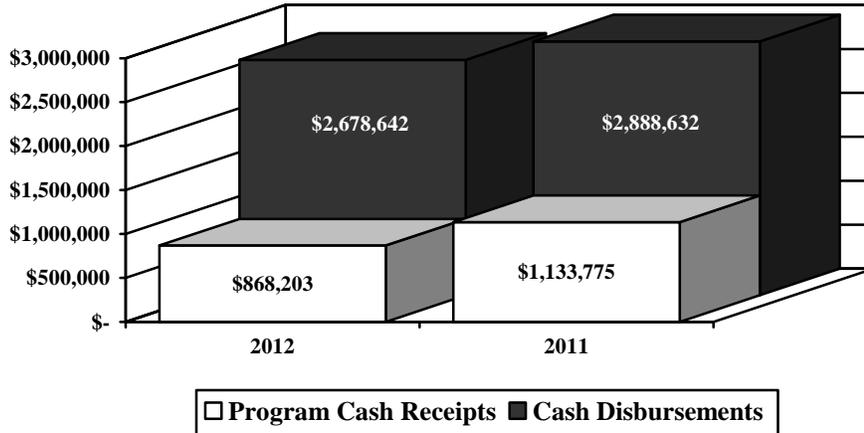
General cash receipts totaled \$1,622,383, and amounted to 65.14% of total governmental cash receipts. These cash receipts primarily consist of property and income tax receipts of \$1,331,309. The other primary source of general cash receipts are grants and entitlements not restricted to specific programs, including local government and local government assistance, making up \$179,984.

The statement of activities - cash basis shows the cost of program services and the charges for services and grants offsetting those services. As can be seen in the following graph, the Village is highly dependent upon general cash receipts (primarily property and income taxes as well as unrestricted grants and entitlements) to support its governmental activities. Program cash receipts were not sufficient to cover total governmental cash disbursements for 2012.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012

Governmental Activities - Program Cash Receipts vs. Total Cash Disbursements



The following table shows, for the governmental activities, the total cost of services and the net cost of services for 2012 and 2011. That is, it identifies the cost of these services supported by tax receipts and unrestricted State grants and entitlements.

	Governmental Activities			
	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Cash disbursements:				
General government	\$ 298,008	\$ 208,960	\$ 341,875	\$ 254,314
Security of persons and property	1,175,130	955,196	1,299,889	1,228,223
Transportation	413,992	57,751	522,493	145,708
Community environment	61,654	(50,989)	463,569	(76,257)
Leisure time activity	137,890	47,553	98,926	40,989
Capital outlay	566,042	566,042	139,308	139,308
Debt service:				
Principal retirement	18,277	18,277	16,184	16,184
Interest and fiscal charges	7,649	7,649	6,388	6,388
Total	\$ 2,678,642	\$ 1,810,439	\$ 2,888,632	\$ 1,754,857

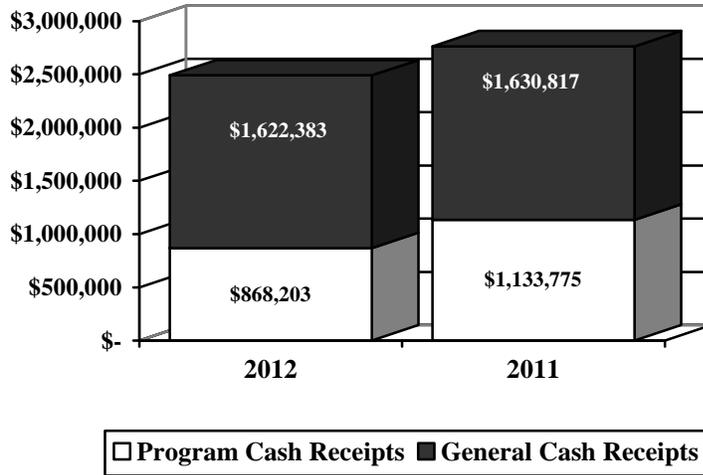
The dependence upon general cash receipts for governmental activities is apparent, with 67.59% of cash disbursements supported through taxes and other general cash receipts.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012

The chart below illustrates the Village's program cash receipts versus general cash receipts for 2012 and 2011.

Governmental Activities - General and Program Cash Receipts



Business-type Activities

Business-type activities include the water, sewer, and ambulance service enterprise funds. These programs had program cash receipts of \$1,927,112, general cash receipts of \$1,041,908 and cash disbursements of \$3,213,134 for 2012. The net cash position of these programs decreased \$244,114 from 2011.

Financial Analysis of the Government's Funds

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

Governmental Funds

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

The Village's governmental funds reported a combined fund cash balance of \$358,056, which is \$188,056 lower than last year's total of \$546,112.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

The schedule below indicates the fund cash balances and the total change in fund cash balances as of December 31, 2012 and December 31, 2011 for all major and nonmajor governmental funds.

	Fund Cash Balances <u>12/31/2012</u>	Fund Cash Balances <u>12/31/2011</u>	Increase/ (Decrease) <u></u>
Major funds:			
General	\$ 86,415	\$ 70,739	\$ 15,676
Street construction, maintenance and repair	12,937	62,367	(49,430)
Capital improvements	72,590	184,302	(111,712)
Other nonmajor governmental funds	<u>186,114</u>	<u>228,704</u>	<u>(42,590)</u>
Total	<u>\$ 358,056</u>	<u>\$ 546,112</u>	<u>\$ (188,056)</u>

General Fund

The Village's general fund cash balance increased \$15,676. The table that follows assists in illustrating the cash receipts of the general fund for 2012 and 2011.

	<u>2012 Amount</u>	<u>2011 Amount</u>	<u>Amount Change</u>	<u>Percentage Change</u>
<u>Cash receipts:</u>				
Taxes	\$ 1,024,112	\$ 1,066,255	\$ (42,143)	(3.95) %
Charges for services	92,451	66,055	26,396	39.96 %
Licenses, permits and fees	74,484	71,711	2,773	3.87 %
Fines and forfeitures	75,146	74,417	729	0.98 %
Investment income	14,630	16,102	(1,472)	(9.14) %
Intergovernmental	177,700	291,472	(113,772)	(39.03) %
Other	<u>89,921</u>	<u>62,824</u>	<u>27,097</u>	43.13 %
Total	<u>\$ 1,548,444</u>	<u>\$ 1,648,836</u>	<u>\$ (100,392)</u>	(6.09) %

Overall, cash receipts of the general fund decreased \$100,392 or 6.09% during 2012. Cash receipts related to charges for services increased \$26,396 or 39.96% primarily due to receipts related to Village festival activities. Intergovernmental receipts received by the Village, including homestead and rollback, local government funding and other unrestricted grants and entitlements, decreased \$113,772 or 39.03% mainly due to a decline in local government funding received from Crawford County. Miscellaneous items received by the Village increased significantly during 2012, while interest earned on the Village's cash deposits and investments decreased \$1,472, or 9.14%. All other cash receipt transactions remained comparable, in total, to 2011.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012

The table that follows illustrates the cash disbursements of the general fund for 2012 compared to 2011.

	<u>2012 Amount</u>	<u>2011 Amount</u>	<u>Amount Change</u>	<u>Percentage Change</u>
<u>Cash disbursements:</u>				
General government	\$ 298,008	\$ 341,875	\$ (43,867)	(12.83) %
Security of persons and property	1,141,160	1,250,157	(108,997)	(8.72) %
Community environment	21,730	250	21,480	8,592.00 %
Leisure time activity	72,444	40,608	31,836	78.40 %
Debt service	<u>6,711</u>	<u>3,355</u>	<u>3,356</u>	100.03 %
Total	<u>\$ 1,540,053</u>	<u>\$ 1,636,245</u>	<u>\$ (96,192)</u>	(5.88) %

Cash disbursements of the general fund decreased \$96,192 or 5.88% during 2012. Cash disbursements related to community environment activities increased \$21,480 due to 2012 Village festival activity and other professional services costs that the Village did not incur during 2011. Cash disbursements related to debt service activity doubled from the prior year, a result of an additional payment made during 2012 related to the Village's police and fire pension liability. Leisure time activities disbursements increased \$31,836, or 78.40% from the prior year, while general government disbursements for legislative, executive, and judicial activities decreased 12.83%. The overall decrease in the Village's disbursements is a reflection of its efforts to remain fiscally responsible during difficult economic times.

Street Construction, Maintenance and Repair Fund

The street construction, maintenance and repair fund had cash receipts and other financing sources of \$319,990 in 2012. The cash disbursements of the street construction, maintenance and repair fund totaled \$369,420 in 2012. The fund cash balance of the street construction, maintenance and repair fund decreased \$49,430 from \$62,367 to \$12,937.

Capital Improvements Fund

The capital improvements fund had cash receipts of \$186,181 in 2012. The cash disbursements of the capital improvements fund totaled \$297,893 in 2012. The fund cash balance of the capital improvements fund decreased \$111,712, from \$184,302 to \$72,590.

Proprietary Funds

The Village's enterprise funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. During 2012, the Village's proprietary funds had total operating receipts of \$1,631,719, total operating disbursements of \$1,488,829, net nonoperating activities disbursements of \$706,634, and received capital contributions of \$319,630. The proprietary funds' net cash position decreased \$244,114 during 2012, from \$1,335,889 to \$1,091,775.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012

Budgeting Highlights

The Village's budgeting process is prescribed by the Ohio Revised Code (ORC). In essence, the budget is the Village's appropriations which are restricted by the amounts of anticipated cash receipts certified by the Budget Commission in accordance with the ORC; as a consequence, the Village's plans or desires cannot be reflected completely by the original budget. If budgeted cash receipts based on actual activity throughout the year, then the appropriations may be adjusted accordingly.

Budgetary information is presented in the Village's financial statements for the general fund and the street construction, maintenance and repair fund, the Village's only major special revenue fund. In the general fund, actual budgetary basis receipts and other financing sources totaled \$1,488,025 and actual budgetary basis disbursements and other financing uses totaled \$1,524,457.

Capital Assets and Debt Administration

Capital Assets

The Village does not report capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The Village had cash disbursements for capital outlay of \$566,042 in the governmental activities and \$892,780 in the business-type activities during 2012.

Debt Administration

The Village restated the Ohio Public Works Commission (OPWC) loan balance for the West side storm sewer at December 31, 2011 to account for an additional principal payment made in a prior year that was not previously reported. The Village had the following long-term obligations outstanding at December 31, 2012 and December 31, 2011.

	Governmental Activities	
	2012	2011
Lease purchase agreement	\$ 52,229	\$ 67,978
Police and fire pension	97,695	100,223
Total long-term obligations	\$ 149,924	\$ 168,201
	Business-type Activities	
	2012	(Restated) 2011
Equipment acquisition bonds	\$ 44,502	\$ 60,338
Sewer improvement bonds	698,000	-
Bond anticipation notes	-	698,000
Lease purchase agreement	73,927	195,584
OWDA loans	397,165	97,578
OPWC loans	460,309	491,191
Total long-term obligations	\$ 1,673,903	\$ 1,542,691

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

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Economic Conditions and Outlook

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

The Village is located in Crawford County. Crawford County reported a non-seasonally adjusted unemployment rate of 7.84% in December 2012, compared to the 6.57% State average.

State funding is uncertain due to budgetary shortfalls at the State level. It appears Local Government Revenue and Local Government Revenue Assistance Funds may be cut as part of the biennial State budget. These funds represented 9.26% of the Village's general fund cash receipts in 2012. Income and property tax cash receipts are expected to remain consistent as well as overall cash disbursements.

These economic factors were considered in preparing the Village's budget for 2013. The Village has continued to practice a conservative budgetary process in order to preserve a positive financial position in future years.

Contacting the Village's Financial Management

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

**CASH BASIS
FINANCIAL STATEMENTS**

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**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 339,238	\$ 1,091,775	\$ 1,431,013
Cash in segregated accounts.	18,818	-	18,818
Total assets	<u>\$ 358,056</u>	<u>\$ 1,091,775</u>	<u>\$ 1,449,831</u>
Net cash position:			
Restricted for:			
Capital projects	\$ 30,940	\$ -	\$ 30,940
Debt service	17,919	-	17,919
Transportation projects	43,666	-	43,666
Community environment programs	37,367	-	37,367
Other purposes.	37,495	-	37,495
Unrestricted	<u>190,669</u>	<u>1,091,775</u>	<u>1,282,444</u>
Total net cash position	<u>\$ 358,056</u>	<u>\$ 1,091,775</u>	<u>\$ 1,449,831</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Cash Disbursements	Program Cash Receipts		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government.	\$ 298,008	\$ 89,048	\$ -	\$ -
Security of persons and property	1,175,130	67,209	152,725	-
Transportation.	413,992	-	232,220	124,021
Community environment	61,654	75,749	36,894	-
Leisure time activity.	137,890	89,058	1,279	-
Capital outlay	566,042	-	-	-
Debt service:				
Principal retirement.	18,277	-	-	-
Interest and fiscal charges.	7,649	-	-	-
Total governmental activities	<u>2,678,642</u>	<u>321,064</u>	<u>423,118</u>	<u>124,021</u>
Business-type activities:				
Water.	885,097	721,204	-	-
Sewer.	2,130,828	751,003	-	319,630
Ambulance services	197,209	135,275	-	-
Total business-type activities	<u>3,213,134</u>	<u>1,607,482</u>	<u>-</u>	<u>319,630</u>
Totals.	<u>\$ 5,891,776</u>	<u>\$ 1,928,546</u>	<u>\$ 423,118</u>	<u>\$ 443,651</u>

General cash receipts:

Property taxes levied for:

 General purposes

 Police pension.

 Fire pension.

Income taxes levied for:

 General purposes

 Street construction and maintenance.

 Capital improvements.

Grants and entitlements not restricted

 to specific programs

Bond issuance

Loan issuance

Investment earnings

Miscellaneous

Total general cash receipts

Change in net cash position

Net cash position at beginning of year

Net cash position at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (208,960)	\$ -	\$ (208,960)
(955,196)	-	(955,196)
(57,751)	-	(57,751)
50,989	-	50,989
(47,553)	-	(47,553)
(566,042)	-	(566,042)
(18,277)	-	(18,277)
(7,649)	-	(7,649)
<u>(1,810,439)</u>	<u>-</u>	<u>(1,810,439)</u>
-	(163,893)	(163,893)
-	(1,060,195)	(1,060,195)
-	(61,934)	(61,934)
<u>-</u>	<u>(1,286,022)</u>	<u>(1,286,022)</u>
<u>(1,810,439)</u>	<u>(1,286,022)</u>	<u>(3,096,461)</u>
156,543	-	156,543
13,356	-	13,356
13,356	-	13,356
867,569	-	867,569
94,304	-	94,304
186,181	-	186,181
179,984	-	179,984
-	698,000	698,000
-	319,671	319,671
15,180	-	15,180
95,910	24,237	120,147
<u>1,622,383</u>	<u>1,041,908</u>	<u>2,664,291</u>
(188,056)	(244,114)	(432,170)
<u>546,112</u>	<u>1,335,889</u>	<u>1,882,001</u>
<u>\$ 358,056</u>	<u>\$ 1,091,775</u>	<u>\$ 1,449,831</u>

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

STATEMENT OF ASSETS AND FUND CASH BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	<u>General</u>	<u>Street Construction, Maintenance and Repair</u>	<u>Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 79,558	\$ 12,937	\$ 72,590	\$ 174,153	\$ 339,238
Cash in segregated accounts.	6,857	-	-	11,961	18,818
Total assets	<u>\$ 86,415</u>	<u>\$ 12,937</u>	<u>\$ 72,590</u>	<u>\$ 186,114</u>	<u>\$ 358,056</u>
Fund cash balances:					
Nonspendable	\$ 4,571	\$ -	\$ -	\$ -	\$ 4,571
Restricted.	2,309	12,937	-	152,141	167,387
Committed	-	-	72,590	33,973	106,563
Assigned	14,647	-	-	-	14,647
Unassigned.	64,888	-	-	-	64,888
Total fund cash balances.	<u>\$ 86,415</u>	<u>\$ 12,937</u>	<u>\$ 72,590</u>	<u>\$ 186,114</u>	<u>\$ 358,056</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	General	Street Construction, Maintenance and Repair	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Cash receipts:					
Municipal income taxes	\$ 867,569	\$ 94,304	\$ 186,181	\$ -	\$ 1,148,054
Property and other taxes.	156,543	-	-	26,712	183,255
Charges for services.	92,451	-	-	63,310	155,761
Licenses, permits and fees	74,484	-	-	-	74,484
Fines and forfeitures	75,146	-	-	8,022	83,168
Intergovernmental.	177,700	172,395	-	371,343	721,438
Investment income.	14,630	1,285	-	2,379	18,294
Rental income	6,215	-	-	-	6,215
Other	83,706	2,006	-	14,205	99,917
Total cash receipts	<u>1,548,444</u>	<u>269,990</u>	<u>186,181</u>	<u>485,971</u>	<u>2,490,586</u>
Cash disbursements:					
Current:					
General government	298,008	-	-	-	298,008
Security of persons and property	1,141,160	-	-	33,970	1,175,130
Transportation	-	369,420	-	44,572	413,992
Community environment	21,730	-	-	39,924	61,654
Leisure time activity	72,444	-	-	65,446	137,890
Capital outlay	-	-	278,678	287,364	566,042
Debt service:					
Principal retirement.	2,528	-	15,749	-	18,277
Interest and fiscal charges	4,183	-	3,466	-	7,649
Total cash disbursements.	<u>1,540,053</u>	<u>369,420</u>	<u>297,893</u>	<u>471,276</u>	<u>2,678,642</u>
Excess (deficiency) of cash receipts over (under) cash disbursements.	<u>8,391</u>	<u>(99,430)</u>	<u>(111,712)</u>	<u>14,695</u>	<u>(188,056)</u>
Other financing sources (uses):					
Transfers in	57,285	50,000	-	-	107,285
Transfers (out).	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>(57,285)</u>	<u>(107,285)</u>
Total other financing sources (uses)	<u>7,285</u>	<u>50,000</u>	<u>-</u>	<u>(57,285)</u>	<u>-</u>
Net change in fund cash balances	15,676	(49,430)	(111,712)	(42,590)	(188,056)
Fund cash balances at beginning of year	70,739	62,367	184,302	228,704	546,112
Fund cash balances at end of year	<u>\$ 86,415</u>	<u>\$ 12,937</u>	<u>\$ 72,590</u>	<u>\$ 186,114</u>	<u>\$ 358,056</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
Municipal income taxes	\$ 578,758	\$ 660,748	\$ 748,005	\$ 87,257
Property and other taxes.	145,859	166,523	156,543	(9,980)
Charges for services.	86,141	98,345	92,451	(5,894)
Licenses, permits and fees	69,401	79,232	74,484	(4,748)
Fines and forfeitures	74,451	84,998	79,904	(5,094)
Intergovernmental.	167,950	191,406	177,700	(13,706)
Investment income.	13,632	15,563	14,630	(933)
Rental income	5,791	6,611	6,215	(396)
Other	74,361	84,896	79,808	(5,088)
Total budgetary basis receipts	<u>1,216,344</u>	<u>1,388,322</u>	<u>1,429,740</u>	<u>41,418</u>
Budgetary basis disbursements:				
Current:				
General government	205,171	243,365	224,686	18,679
Security of persons and property	1,054,246	1,250,497	1,154,520	95,977
Community environment	19,843	23,536	21,730	1,806
Leisure time activity	67,135	79,633	73,521	6,112
Total budgetary basis disbursements	<u>1,346,395</u>	<u>1,597,031</u>	<u>1,474,457</u>	<u>122,574</u>
Excess of budgetary basis disbursements over budgetary basis receipts.	<u>(130,051)</u>	<u>(208,709)</u>	<u>(44,717)</u>	<u>163,992</u>
Other financing sources (uses):				
Sale of assets.	932	1,064	1,000	(64)
Transfers in	197,627	225,624	57,285	(168,339)
Transfers (out).	(45,657)	(54,157)	(50,000)	4,157
Total other financing sources (uses).	<u>152,902</u>	<u>172,531</u>	<u>8,285</u>	<u>(164,246)</u>
Net change in fund cash balances.	22,851	(36,178)	(36,432)	(254)
Fund cash balances at beginning of year.	34,230	34,230	34,230	-
Prior year encumbrances appropriated	1,948	1,948	1,948	-
Fund cash balance (deficit) at end of year	<u>\$ 59,029</u>	<u>\$ -</u>	<u>\$ (254)</u>	<u>\$ (254)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS
STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Budgetary basis receipts:				
Municipal income taxes	\$ 77,583	\$ 91,569	\$ 94,304	\$ 2,735
Intergovernmental.	141,826	167,395	172,395	5,000
Investment income.	1,057	1,248	1,285	37
Other	914	1,079	1,111	32
Total budgetary basis receipts	<u>221,380</u>	<u>261,291</u>	<u>269,095</u>	<u>7,804</u>
Budgetary basis disbursements:				
Current:				
Transportation	303,077	373,077	373,387	(310)
Total budgetary basis disbursements	<u>303,077</u>	<u>373,077</u>	<u>373,387</u>	<u>(310)</u>
Excess of budgetary basis disbursements over budgetary basis receipts.	<u>(81,697)</u>	<u>(111,786)</u>	<u>(104,292)</u>	<u>7,494</u>
Other financing sources:				
Sale of assets.	736	869	895	26
Transfers in	41,134	48,550	50,000	1,450
Total other financing sources	<u>41,870</u>	<u>49,419</u>	<u>50,895</u>	<u>1,476</u>
Net change in fund cash balances	(39,827)	(62,367)	(53,397)	8,970
Fund cash balances at beginning of year.	58,593	58,593	58,593	-
Prior year encumbrances appropriated	3,774	3,774	3,774	-
Fund cash balance at end of year	<u>\$ 22,540</u>	<u>\$ -</u>	<u>\$ 8,970</u>	<u>\$ 8,970</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

STATEMENT OF NET POSITION - CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Nonmajor	Total
Assets:				
Equity in pooled cash and cash equivalents	\$ 900,197	\$ 120,503	\$ 71,075	\$ 1,091,775
Total assets	\$ 900,197	\$ 120,503	\$ 71,075	\$ 1,091,775
Net cash position:				
Unrestricted	\$ 900,197	\$ 120,503	\$ 71,075	\$ 1,091,775
Total net cash position.	\$ 900,197	\$ 120,503	\$ 71,075	\$ 1,091,775

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN NET CASH POSITION - CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Nonmajor	Total
Operating receipts:				
Charges for services	\$ 721,204	\$ 751,003	\$ 135,275	\$ 1,607,482
Other	13,889	10,348	-	24,237
Total operating receipts.	<u>735,093</u>	<u>761,351</u>	<u>135,275</u>	<u>1,631,719</u>
Operating disbursements:				
Personal services	486,627	246,937	145,876	879,440
Contract services.	127,196	197,475	14,736	339,407
Materials and supplies.	85,544	47,915	15,632	149,091
Utilities	36,541	82,995	-	119,536
Other	561	794	-	1,355
Total operating disbursements.	<u>736,469</u>	<u>576,116</u>	<u>176,244</u>	<u>1,488,829</u>
Excess (deficiency) of operating receipts over (under) operating disbursements.	<u>(1,376)</u>	<u>185,235</u>	<u>(40,969)</u>	<u>142,890</u>
Nonoperating receipts (disbursements):				
Capital outlay	(135,593)	(757,187)	-	(892,780)
Debt service:				
Principal retirement	(11,814)	(752,988)	(16,240)	(781,042)
Interest and fiscal charges	(1,221)	(44,537)	(4,725)	(50,483)
Bond issuance	-	698,000	-	698,000
Loan issuance	-	319,671	-	319,671
Total nonoperating receipts (disbursements).	<u>(148,628)</u>	<u>(537,041)</u>	<u>(20,965)</u>	<u>(706,634)</u>
Loss before capital contributions	(150,004)	(351,806)	(61,934)	(563,744)
Capital contributions.	-	319,630	-	319,630
Change in net cash position	(150,004)	(32,176)	(61,934)	(244,114)
Net cash position at beginning of year	<u>1,050,201</u>	<u>152,679</u>	<u>133,009</u>	<u>1,335,889</u>
Net cash position at end of year	<u>\$ 900,197</u>	<u>\$ 120,503</u>	<u>\$ 71,075</u>	<u>\$ 1,091,775</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

STATEMENT OF NET POSITION - CASH BASIS
FIDUCIARY FUND
DECEMBER 31, 2012

	Private-Purpose Trust
Assets:	
Equity in pooled cash and cash equivalents	\$ 18,343
Total assets	18,343
Net cash position:	
Deposits held and due to others	18,343
Total net cash position	\$ 18,343

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

STATEMENT OF CASH ADDITIONS, CASH DEDUCTIONS AND CHANGES IN NET CASH POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Private-Purpose Trust
Cash additions:	
Gifts and contributions	\$ 7,000
Total cash additions	7,000
Cash deductions:	
Other.	7,200
Total cash deductions.	7,200
Change in net cash position	(200)
Net cash position at beginning of year.	18,543
Net cash position at end of year	\$ 18,343

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 1 - DESCRIPTION OF THE VILLAGE

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

As discussed further in Note 2.D., these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The following are the more significant of the Village's accounting policies:

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

The Village participated in the Ohio Plan Risk Management, Inc., an insurance purchasing pool, for the period of January 1, 2012 through October 31, 2012. Effective November 1, 2012, the Village transitioned to HCC Public Risk Ohio for its risk management services. These organizations are further described in Note 9 to the basic financial statements.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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

B. Basis of Presentation

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

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

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

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

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

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

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

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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

C. Fund Accounting

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

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

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

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

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

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

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

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

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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

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

D. Basis of Accounting

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

As a result of the use of this cash basis of accounting, certain assets and deferred outflows of resources, liabilities and deferred inflows of resources, and the effects of these items on revenues and expenses are not recorded in these financial statements. These statements include adequate disclosure of material matters, in accordance with the basis of accounting described above.

E. Budgetary Process

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

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

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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

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

F. Cash and Cash Equivalents

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

The Village has segregated bank accounts for departmental monies held separately from the Village's central bank account. These various depository accounts are presented as "cash in segregated accounts" on the basic financial statements.

During 2012, the Village's investments were limited to negotiable certificates of deposit (CDs) and federal agency securities. Investments are reported at cost. Investment procedures are restricted by provisions of the Ohio Revised Code. Interest receipts credited to the general fund during 2012 were \$14,630, including \$13,902 assigned from other Village funds. Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Capital Assets

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

H. Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting utilized by the Village (See Note 2.D.).

I. Long-term Obligations

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

J. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from grants or outside contributions of resources restricted to capital acquisition and construction. During 2012, the sewer fund received \$319,630 in capital contributions in the form of grants intended for capital projects.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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

K. Net Cash Position

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

L. Restricted Cash Assets

Cash assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted cash assets represent certain resources which are segregated from other resources of the Village to comply with various covenants established by bond financing agreements. These assets are generally held in separate accounts of the Village or by a trustee. The various covenants place restrictions on the use of these resources, require minimum balances to be maintained in certain accounts and establish annual amounts to be accumulated for specific purposes. The Village reported no restricted cash assets at December 31, 2012.

M. Employer Contributions to Cost-Sharing Pension Plans

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

N. Interfund Activity

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

O. Inventories of Materials and Supplies

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

P. Prepaid Items

On the cash basis of accounting, payments made to vendors for services that will benefit periods beyond December 31, 2012 are recorded as disbursements when paid. These items are not reported as assets in the basic financial statements.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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

Q. Fund Cash Balance

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

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

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

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

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

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

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

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. Neither type of transaction occurred during 2012.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2012, the Village has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the Village.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the Village.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows or resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the Village's financial statements to incorporate the concept of net position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the Village.

B. Compliance

- i.* The Village did not approve permanent appropriations at the required legal level, contrary to Ohio Revised Code Section 5705.38(C).
- ii.* The Village had appropriations in excess of actual resources in noncompliance with Ohio Revised Code Section 5705.36(A)(4).

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The statements of cash receipts, cash disbursements and changes in fund cash balance - budget and actual (budgetary basis) presented for the general fund and the street construction, maintenance and repair fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a component of fund cash balance (cash basis) and some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budgetary basis). At December 31, 2012, the encumbrances outstanding at year end (budgetary basis) amounted to \$8,231 for the general fund and \$3,967 for the street construction, maintenance and repair fund. At December 31, 2012, funds included as part of the general fund (cash basis) had a total fund cash balance of \$78,438.

NOTE 5 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Village into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Village Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items 1 and 2 above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool, State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Village by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Village or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

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

B. Cash in Segregated Accounts

At year end, the Village had \$6,857 deposited with financial institutions for monies related to the Mayor's Court and police auxiliary, which are reported as components of the Village's general fund. The remaining \$11,961 in cash in segregated accounts related to DARE and fire safety education is reported in the nonmajor governmental funds on the basic financial statements. These amounts are included in the Village's depository balance below.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

C. Deposits with Financial Institutions

At December 31, 2012, the carrying amount of all Village deposits was \$468,692. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2012, all of the Village’s bank balance of \$495,553 was covered by the FDIC.

D. Investments

As of December 31, 2012, the Village had the following investments and maturities:

<u>Investment type</u>	<u>Carrying Value</u>	<u>Investment Maturities</u>				
		<u>6 Months or Less</u>	<u>7 to 12 Months</u>	<u>13 to 18 Months</u>	<u>19 to 24 Months</u>	<u>Greater than 24 Months</u>
FNMA	\$ 34,642	\$ -	\$ -	\$ -	\$ -	\$ 34,642
Negotiable CD's	963,840	-	-	-	820,383	143,457
Total	<u>\$ 998,482</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 820,383</u>	<u>\$ 178,099</u>

The weighted average length to maturity of the investments at December 31, 2012 is 2.25 years.

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Village’s investment policy limits investment portfolio maturities to five years or less.

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty’s trust department or agent, but not in the Village’s name. The Village has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Village or qualified trustee.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The Village places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Village at December 31, 2012:

<u>Investment type</u>	<u>Carrying Value</u>	<u>% of Total</u>
FNMA	\$ 34,642	3.47
Negotiable CD's	<u>963,840</u>	<u>96.53</u>
Total	<u>\$ 998,482</u>	<u>100.00</u>

E. Reconciliation of Cash and Investments to the Statement of Net Cash Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net cash position as of December 31, 2012:

Cash and investments per note

Carrying amount of deposits	\$ 468,692
Investments	998,482
Cash on hand	<u>1,000</u>
Total	<u>\$ 1,468,174</u>

Cash and investments per statement of net cash position

Governmental activities	\$ 358,056
Business-type activities	1,091,775
Private-purpose trust fund	<u>18,343</u>
Total	<u>\$ 1,468,174</u>

NOTE 6 - MUNICIPAL INCOME TAXES

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

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 7 - PROPERTY TAXES

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

Public utility real 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. 2012 public utility property taxes became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the Village of Crestline. The County Auditor periodically remits to the Village its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2012 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable is offset by a deferred inflow since the current taxes are not levied to finance 2012 operations and the collection of delinquent taxes is offset by a deferred inflow since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes are recorded as a receivable and revenue while on a modified accrual basis the revenue is a deferred inflow. For 2012, the Village's financial statements are presented on the cash basis of accounting and therefore the Village does not record a receivable for property taxes either on a modified accrual or full accrual basis of accounting.

The full tax rate for all Village operations for the year ended December 31, 2012 was \$4.10 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2012 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 34,572,360
Commercial/industrial	12,240,130
<u>Public utility</u>	
Real	201,170
Personal	<u>1,540,260</u>
Total assessed value	<u>\$ 48,553,920</u>

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 8 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2012, consisted of the following, as reported in the fund financial statements:

Transfer from general fund to:

Street construction, maintenance and repair fund	\$ 50,000
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Transfer from nonmajor governmental fund to:

General fund	<u>57,285</u>
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Total	<u>\$ 107,285</u>
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Transfers are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

During 2012, the Village transferred \$57,285 from the City Hall bond retirement fund (a nonmajor governmental fund) to the general fund as part of a residual equity transfer made in accordance with Ohio Revised Code Section 5705.14(C)(1).

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

NOTE 9 - RISK MANAGEMENT

A. Risk Pool Membership

The Government belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (41.5% effective November 1, 2011, 40% through October 31, 2011 and 17.5% through October 31, 2010) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 782 and 761 members as of December 31, 2011 and 2010, respectively.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 9 - RISK MANAGEMENT - (Continued)

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2011 and 2010 (the latest information available):

	<u>2011</u>	<u>2010</u>
Assets	\$12,501,280	\$12,036,541
Liabilities	(5,328,761)	(4,845,056)
Members' Equity	<u>\$7,172,519</u>	<u>\$7,191,485</u>

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

Effective November 1, 2012, the Village switched from the Ohio Plan to HCC Public Risk Ohio to obtain its risk management services.

B. Employee Health Benefits

The Village provides employee medical and dental insurance. Medical insurance is provided by Ohio Medical Mutual and dental is provided by MetLife. The risk of loss transfers entirely to the insurance carriers. The Village pays 80% of the premiums for health insurance and 100% of the premiums for dental insurance.

There has been no significant reduction in insurance coverage from 2011 and no insurance settlement has exceeded insurance coverage during the last three years.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 10 - PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. 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 which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012 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 2012 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 11.50% and 12.10%, respectively. The Village's contribution rate for 2012 was 14.00%, except for those plan members in law enforcement or public safety, for whom the Village's contribution was 18.10% of covered payroll.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 10 - PENSION PLANS - (Continued)

The Village's contribution rate for pension benefits for members in the Traditional Plan for 2012 was 10.00%. The Village's contribution rate for pension benefits for members in the Combined Plan and Traditional Plan was 7.95% and 10%, respectively. For those plan members in law enforcement and public safety pension contributions were 14.10%. The Village's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$96,908, \$90,443, and \$80,795, respectively; 91.18% has been contributed for 2012 and 100% has been contributed for 2011 and 2010. Contributions to the member-directed plan for 2012 were \$5,400 made by the Village and \$3,857 made by the plan members.

B. Ohio Police and Fire Pension Fund

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

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the Village is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2012, the portion of the Village's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The Village's required contributions for pension obligations to OP&F for police officers and firefighters were \$43,273 and \$52,248 for the year ended December 31, 2012, \$47,199 and \$54,905 for the year ended December 31, 2011, and \$47,380 and \$53,073, for the year ended December 31, 2010. The full amount has been contributed for 2011 and 2010. 76.95% has been contributed for police and 75.69% has been contributed for firefighters for 2012.

NOTE 11 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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

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

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

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 11 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2012 local government employers contributed 14.00% of covered payroll (18.10% 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 portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2012 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2012 was 6.05%.

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

The Village's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$38,760, \$36,174, and \$46,061, respectively; 91.18% has been contributed for 2012 and 100% has been contributed for 2011 and 2010.

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

B. Ohio Police and Fire Pension Fund

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

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

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

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.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 11 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2012, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The Village's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$22,909 and \$20,445 for the year ended December 31, 2012, \$24,987 and \$21,484 for the year ended December 31, 2011, and \$25,083 and \$20,768, for the year ended December 31, 2010. The full amount has been contributed for 2011 and 2010. 76.95% has been contributed for police and 75.69% has been contributed for firefighters for 2012.

NOTE 12 - COMPENSATED ABSENCES

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

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

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

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 13 - LONG-TERM OBLIGATIONS

The Village restated the Ohio Public Works Commission (OPWC) loan balance for the West side storm sewer at December 31, 2011 to account for an additional principal payment made in a prior year that was not previously reported. The Village's long-term obligations activity for the year ended December 31, 2012, was as follows:

	Balance Outstanding 12/31/11	Issued	Retired	Balance Outstanding 12/31/12	Amount Due in One Year
Governmental activities:					
<u>Other long-term obligations</u>					
Lease purchase agreement payable	\$ 67,978	\$ -	\$ (15,749)	\$ 52,229	\$ 16,552
Police and fire pension liability	100,223	-	(2,528)	97,695	2,637
Total other long-term obligations	<u>168,201</u>	<u>-</u>	<u>(18,277)</u>	<u>149,924</u>	<u>19,189</u>
Total governmental activities long-term liabilities	<u>\$ 168,201</u>	<u>\$ -</u>	<u>\$ (18,277)</u>	<u>\$ 149,924</u>	<u>\$ 19,189</u>
	(Restated) Balance Outstanding 12/31/11	Issued	Retired	Balance Outstanding 12/31/12	Amount Due in One Year
	Interest Rate				
Business-type activities:					
<u>Bonds</u>					
Equipment acquisition bonds	4.59%	\$ 60,338	\$ -	\$ (15,836)	\$ 44,502
Sewer improvement bonds series 2012	3.75%	-	698,000	-	698,000
Total bonds		<u>60,338</u>	<u>698,000</u>	<u>(15,836)</u>	<u>742,502</u>
<u>OWDA loans</u>					
Sewer planning	1.00%	97,578	-	(20,084)	77,494
Sewer sanitary improvements	1.00%	-	319,671	-	319,671
<u>OPWC loans</u>					
Wiley Street waterline replacement		109,097	-	(3,896)	105,201
West side storm sewer		337,749	-	(24,125)	313,624
Cloverdale Ave. sewer replacement		44,345	-	(2,861)	41,484
Total loans		<u>588,769</u>	<u>319,671</u>	<u>(50,966)</u>	<u>857,474</u>
Sewer improvement notes series 2011	5.75%	698,000	-	(698,000)	-
Lease purchase agreement payable		195,584	-	(121,657)	73,927
Total business-type activities long-term liabilities		<u>\$ 1,542,691</u>	<u>\$ 1,017,671</u>	<u>\$ (886,459)</u>	<u>\$ 1,673,903</u>

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

Sewer Improvement Notes

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

Sewer Improvement Bonds

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

Lease Purchase Agreements

Lease purchase agreements will be paid from the fund that maintains custody of the related assets (See Note 14).

Police and Fire Pension Liability

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

OPWC Loans

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

OWDA Loans

The Village has pledged future sewer receipts to repay Ohio Water Development Authority (OWDA) loans. The loans are payable solely from sewer fund receipts and are payable through 2032. Annual principal and interest payments on the loans are expected to require 11.37 percent of net receipts and 2.77 percent of total receipts. The total principal remaining to be paid on the loans is \$397,165. The OWDA loans do not currently include finalized amortization schedules and therefore future interest payments on the loans are undeterminable as of December 31, 2012. Principal and interest paid for the current year was \$21,058, total net receipts were \$185,235 and total receipts were \$761,351.

Equipment Acquisition Bonds

On July 28, 2010, the Village issued equipment acquisition bonds for the purpose of purchasing a new backhoe. The bonds were issued in the amount of \$81,550 and bear an interest rate of 4.59%. The bonds mature on July 28, 2015 and will be repaid from the water and sewer enterprise funds.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the Village's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the Village's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2012, the Village's total debt margin was \$5,116,081 and the unvoted debt margin was \$2,670,466.

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

Year Ending December 31.	<u>Governmental Activities</u>		
	<u>Police and Fire Pension</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 2,637	\$ 4,072	\$ 6,709
2014	2,751	3,959	6,710
2015	2,869	3,841	6,710
2016	2,992	3,718	6,710
2017	3,121	3,589	6,710
2018 - 2022	17,733	15,817	33,550
2023 - 2027	21,882	11,665	33,547
2028 - 2032	27,002	6,545	33,547
2033 - 2035	16,708	3,118	19,826
Total	<u>\$ 97,695</u>	<u>\$ 56,324</u>	<u>\$ 154,019</u>

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

Year Ending December 31.	<u>Business-type Activities</u>		
	<u>Sewer Improvement Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 88,400	\$ 24,513	\$ 112,913
2014	92,500	21,121	113,621
2015	95,900	17,588	113,488
2016	99,500	13,968	113,468
2017	103,300	10,122	113,422
2018 - 2019	218,400	8,253	226,653
Total	<u>\$ 698,000</u>	<u>\$ 95,565</u>	<u>\$ 793,565</u>

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

Year Ending December 31,	Business-type Activities					
	Equipment Acquisition Bonds			OPWC Loans		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 16,596	\$ 1,719	\$ 18,315	\$ 30,882	\$ -	\$ 30,882
2014	17,385	930	18,315	30,882	-	30,882
2015	10,521	163	10,684	30,882	-	30,882
2016	-	-	-	30,882	-	30,882
2017	-	-	-	30,882	-	30,882
2018 - 2022	-	-	-	154,411	-	154,411
2023 - 2027	-	-	-	104,731	-	104,731
2028 - 2032	-	-	-	19,482	-	19,482
2033 - 2037	-	-	-	19,482	-	19,482
2038 - 2039	-	-	-	7,793	-	7,793
Total	<u>\$ 44,502</u>	<u>\$ 2,812</u>	<u>\$ 47,314</u>	<u>\$ 460,309</u>	<u>\$ -</u>	<u>\$ 460,309</u>

The Village's OWDA loans do not include finalized amortization schedules as of December 31, 2012.

NOTE 14 - LESSEE DISCLOSURES

A. Lease Purchase Agreement - Governmental Activities

In a prior year the Village entered into a lease purchase agreement for a street sweeper. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Principal payments in 2012 were \$15,749 and were made from the capital improvements fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2012:

Year Ending December 31,	Amount
2013	\$ 19,215
2014	19,215
2015	19,215
Total	<u>57,645</u>
Less: amount representing interest	<u>(5,416)</u>
Present value of net minimum lease payments	<u>\$ 52,229</u>

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 14 - LESSEE DISCLOSURES - (Continued)

B. Lease Purchase Agreements - Business-type Activities

In a prior year, the Village entered into lease purchase agreements for an ambulance and sewer equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Principal payments in 2012 on the ambulance lease purchase agreement totaled \$16,240 and were made from the ambulance fund (a nonmajor enterprise fund). During 2012, the lease purchase agreement related to the sewer equipment expired, at which point the Village was forgiven its final lease payment in the amount of \$110,340, which was comprised of \$105,417 in principal and \$4,923 in interest and the equipment was traded-in.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2012:

<u>Year Ending December 31,</u>	<u>Amount</u>
2013	\$ 20,965
2014	20,964
2015	20,965
2016	<u>20,965</u>
Total	<u>83,859</u>
Less: amount representing interest	<u>(9,932)</u>
Present value of net minimum lease payments	<u>\$ 73,927</u>

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 15 - FUND CASH BALANCE

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

Fund cash balance	General	Street Construction, Maintenance and Repair	Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Unclaimed monies	\$ 4,571	\$ -	\$ -	\$ -	\$ 4,571
Total nonspendable	<u>4,571</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,571</u>
Restricted:					
Capital projects	-	-	-	30,940	30,940
Debt service	-	-	-	17,919	17,919
Transportation projects	-	12,937	-	30,729	43,666
Community environment programs	-	-	-	37,367	37,367
Other purposes	<u>2,309</u>	<u>-</u>	<u>-</u>	<u>35,186</u>	<u>37,495</u>
Total restricted	<u>2,309</u>	<u>12,937</u>	<u>-</u>	<u>152,141</u>	<u>167,387</u>
Committed:					
Capital projects	-	-	72,590	25,738	98,328
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,235</u>	<u>8,235</u>
Total committed	<u>-</u>	<u>-</u>	<u>72,590</u>	<u>33,973</u>	<u>106,563</u>
Assigned:					
General government	504	-	-	-	504
Security of persons and property	6,650	-	-	-	6,650
Leisure time activities	1,077	-	-	-	1,077
Subsequent year appropriation	<u>6,416</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,416</u>
Total assigned	<u>14,647</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,647</u>
Unassigned	<u>64,888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,888</u>
Total fund cash balances	<u>\$ 86,415</u>	<u>\$ 12,937</u>	<u>\$ 72,590</u>	<u>\$ 186,114</u>	<u>\$ 358,056</u>

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 16 - CONTINGENCIES

A. Litigation

At December 31, 2012, the Village was not involved in any lawsuits that would have a material adverse effect on the Village's financial position.

B. Federal and State Grants

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



Julian & Grube, Inc.

Serving Ohio Local Governments

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

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

To the Members of Council and Mayor:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Crestline, Crawford County, Ohio, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Village of Crestline's basic financial statements, and have issued our report thereon dated May 30, 2013 wherein we noted the Village of Crestline uses a special purpose framework other than generally accepted accounting principles and the Village of Crestline adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village of Crestline's financial statements. We consider findings 2012-VOC-001 and 2012-VOC-002 described in the accompanying schedule of findings and responses to be material weaknesses.

Members of Council and Mayor
Village of Crestline

Compliance and Other Matters

As part of reasonably assuring whether the Village of Crestline's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed two instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2012-VOC-003 and 2012-VOC-004.

Village of Crestline's Response to Findings

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

We also noted certain matters not requiring inclusion in this report that we reported to the Village of Crestline's management in a separate letter dated May 30, 2013.

Purpose of this Report

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



Julian & Grube, Inc.
May 30, 2013

VILLAGE OF CRESTLINE
CRAWFORD COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2012

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2012-VOC-001

Material Weakness - Financial Statement Presentation

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

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

Capital Improvements (Major Capital Projects fund) - An adjustment was made to decrease intergovernmental receipts, other receipts and capital outlay disbursements by \$137,121, \$9,179 and \$146,300, respectively.

FEMA (Nonmajor Special Revenue fund) - An adjustment was made to increase intergovernmental receipts and capital outlay disbursements by \$146,300.

Permissive Tax (Nonmajor Special Revenue fund) - An adjustment was made to decrease intergovernmental receipts and transportation disbursements by \$124,021.

OPWC Issue II Street (Nonmajor Capital Projects fund) - An adjustment was made to increase intergovernmental receipts and capital outlay disbursements by \$124,021.

General Fund (Major General fund) - An adjustment was made to decrease the transfers-in receipts by \$27,961. The adjusted resulted in a decrease of \$27,961 to cash fund balance.

Income Tax Fund (Major General fund) - An adjustment was made to decrease the transfer-out disbursements by \$27,961. The adjustment resulted in an increase of \$27,961 to cash fund balance.

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

We recommend the Village consult with their auditors, the Village Handbook, Auditor of State and/or Ohio Municipal League to help ensure accurate financial reporting.

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

VILLAGE OF CRESTLINE
CRAWFORD COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2012

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2012-VOC-002

Material Weakness - Fiscal Office

A governmental agency should have internal controls in place over the fiscal operations with regards to continuance of operations in an efficient and effective manner, even in the event of the loss of a key employee.

The Village Fiscal Office was either not staffed or contained limited staff during the year under audit. This was primarily due to a vacant key position remaining unfilled or filled temporarily by an individual that did not possess adequate skills for the position being held.

Due to the lack of key personnel in the Fiscal Office for a significant part of the year, many duties were left unattended to or were performed poorly and not in a timely manner.

We recommend the Village develop a contingency plan and internal controls to ensure that the Fiscal Office is adequately staffed during the year and/or there is management oversight to help ensure the required objectives are being met and in a timely manner.

Client Response: Management is aware of the situation and is actively making an effort to develop additional internal controls and/or develop a contingency plan to help ensure the Fiscal Office operates efficiently and effectively even if an unforeseen departure of personnel occurs.

Finding Number	2012-VOC-003
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Noncompliance

Ohio Revised Code Section 5705.38(C) requires that for subdivisions other than schools, appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services.

The Village appropriated at the fund level for all funds, except the General Fund, which was approved at the department level.

Failure to appropriate and monitor expenditures at the required legal level of control could lead to ineffective budgetary oversight of expenditures.

We recommend the Village Council approve all annual appropriation measures and amendments as prescribed by the Ohio Revised Code, or consider a charter modification to specify the preferred legal level of control.

Client Response: The Village will modify their legal level of control to comply with the Ohio Revised Code.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2012**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2012-VOC-004

Noncompliance

Ohio Revised Code Section 5705.36(A)(4) states that upon a determination by the Clerk/Treasurer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the Clerk/Treasurer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

The Village had appropriations greater than actual resources in the following fund:

<u>Fund Type/Fund</u>	<u>Actual Resources</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund	\$ 1,524,203	\$ 1,651,188	\$ 126,985

By appropriating more funds than actual resources, the Village is at risk of spending more money than is available; this may result in negative fund balances.

We recommend the Village monitor estimated resources in comparison with actual resources and appropriations, and if necessary, obtain a decreased amended certificate and amend their appropriations accordingly.

Client Response: The Village Council will attempt to approve and modify appropriations in a timely manner in accordance with the Ohio Revised Code.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2011-VOC-001	<u>Material Weakness - Financial Statement Presentation</u> - The Village had receipts and disbursements related to grants which were not properly accounted for in separate funds within the accounting system.	No	Repeated as finding 2012-VOC-001
2011-VOC-002	<u>Material Weakness - Fiscal Office</u> - The Village should have in place a formal plan to implement in the case of an unforeseen absence in their fiscal office.	No	Repeated as finding 2012-VOC-002
2011-VOC-003	<u>Material Weakness - Payroll Internal Controls</u> - The Village lacks certain proper authorization internal controls from certain department heads during the payroll process.	Yes	N/A
2011-VOC-004	<u>Material Weakness - Budgetary Monitoring Controls</u> - The Village lacks monitoring controls over completing the necessary paperwork annually to be in compliance with the applicable budgetary Ohio Revised Code compliance sections.	Yes	N/A
2011-VOC-005	<u>Noncompliance/Material Weakness - Financial Statement Reporting</u> - Ohio Revised Code Section 117.38 provides each public office shall file a financial report for each fiscal year.	Yes	N/A
2011-VOC-006	Ohio Revised Code Section 5705.38 requires the annual appropriation measure to be passed on or about the first day of each fiscal year.	Partial	Repeated as finding 2012-VOC-003
2011-VOC-007	Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations.	Yes	N/A
2011-VOC-008	Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.	Yes	N/A
2011-VOC-009	Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection of an appropriate fund free from any previous encumbrances.	Partial	Finding located in Management Letter

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <u>Explain:</u>
2011-VOC-010	Ohio Revised Code Section 5705.36 requires Fiscal Officers to certify to the County Auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.	Partial	Finding located in Management Letter

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Dave Yost • Auditor of State

VILLAGE OF CRESTLINE

CRAWFORD COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 16, 2013**