

**CITY OF CRESTLINE  
CRAWFORD COUNTY, OHIO**

***BASIC  
FINANCIAL STATEMENTS  
(Audited)***

For The Year Ended  
December 31, 2004

**MS. JODY WAGONER, CITY AUDITOR**





**Auditor of State  
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the City of Crestline, Crawford County, prepared by Julian & Grube, Inc. for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

August 11, 2005

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**CITY OF CRESTLINE, OHIO**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

TABLE OF CONTENTS

Independent Auditor's Report .....	2 - 3
Management's Discussion and Analysis .....	4 - 10
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	11
Statement of Activities.....	12 - 13
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	14 - 15
Blank Page .....	16
Reconciliation of Total Governmental Fund Balance To Net Assets of Governmental Activities .....	17
Statement of Revenues, Expenditures and Change in Fund Balance - Governmental Funds.....	18 - 19
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to Statement of Activities.....	20
Statement of Revenues, Expenditures and Change in Fund Balance Budget (Non-GAAP Budgetary Basis) and Actual General Fund.....	21
Street Construction and Maintenance Fund .....	22
Statement of Fund Net Assets - Enterprise Funds.....	23
Statement of Revenues, Expenses and Changes in Fund Net Assets - Enterprise Funds.....	24
Statement of Cash Flows - Enterprise Funds .....	25 - 26
Statement of Fiduciary Net Assets - Fiduciary Funds.....	27
Statement of Change in Fiduciary Net Assets - Private Purpose Trust Fund.....	28
Notes to the Basic Financial Statements.....	29 - 61
Supplemental Data	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	62 - 63
Schedule of Findings .....	64 - 65
Status of Prior Audit Findings .....	66

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# JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

333 County Line Road West  
Westerville, Ohio 43082

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Facsimile 614.846.2799

## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Crestline, Crawford County, Ohio, (the “City”), as of and for the year ended December 31, 2004, which collectively comprise the City’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City’s management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Crestline, Ohio, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund and street construction and maintenance fund and community development block grant major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2005, on our consideration of the City’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Members of Council and Mayor  
City of Crestline  
Page Two

The management's discussion on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Julian & Grube, Inc.  
June 16, 2005



## CITY OF CRESTLINE, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2004 UNAUDITED

The management's discussion and analysis of the City of Crestline's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2004. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

#### Financial Highlights

Key financial highlights for 2004 are as follows:

- The total net assets of the City decreased \$242,943. Net assets of governmental activities increased \$53,529 or 0.79% over 2003 and net assets of business-type activities decreased \$296,472 or 5.78% over 2003.
- General revenues accounted for \$1,855,978 of total governmental activities revenue. Program specific revenues accounted for \$721,797 or 38.89% of total governmental activities revenue.
- The City had \$2,500,094 in expenses related to governmental activities; \$721,797 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$1,778,297 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$1,855,978.
- The general fund had revenues of \$1,608,957 in 2004. This represents an increase of \$5,686 from 2003 revenues. The expenditures and other financing uses of the general fund, which totaled \$1,559,324 in 2004, decreased \$318,682 from 2003. The net increase in fund balance for the general fund was \$49,633 or 42.02%.
- The street construction and maintenance fund had revenues of \$295,811 in 2004. The expenditures of the street construction and maintenance fund, totaled \$290,607 in 2004. The net increase in fund balance for the street construction and maintenance fund was \$5,204 or 3.44%.
- The community development block grant fund had revenues of \$306,608 in 2004. The expenditures of the community development block grant fund, totaled \$310,417 in 2004. The net decrease in fund balance for the community development block grant fund was \$3,809 or 1.95%.
- The capital improvements fund had revenues of \$248,475 in 2004. The expenditures and other financing uses of the capital improvements fund, totaled \$232,386 in 2004. The net increase in fund balance for the capital improvements fund was \$16,089 or 3.16%.
- Net assets for the business-type activities, which are made up of the Water, Sewer, and Ambulance Services enterprise funds, decreased in 2004 by \$296,472. This decrease in net assets was due primarily to increasing expenses and decreasing revenues.
- In the general fund, the actual revenues came in \$64,907 lower than they were in the final budget and actual expenditures were \$76,932 less than the amount in the final budget. Budgeted expenditures increased \$63,233 from the original to the final budget due primarily to an increase in the cost of security of persons and property expenditures.

#### Using this Annual Financial Report

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

## CITY OF CRESTLINE, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2004 UNAUDITED

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

#### **Reporting the City as a Whole**

##### *Statement of Net Assets and the Statement of Activities*

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

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

#### **Reporting the City's Most Significant Funds**

##### *Fund Financial Statements*

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

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

**CITY OF CRESTLINE, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED**

***Governmental Funds***

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, street construction and maintenance fund, community development block grant fund and capital improvements fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 20-28 of this report.

***Proprietary Funds***

The City maintains one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and ambulance service management functions. All of the City's enterprise funds are considered major funds. The basic proprietary fund financial statements can be found on pages 29-31 of this report.

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. A private-purpose trust is the City's fiduciary fund type. The basic fiduciary fund financial statements can be found on pages 32-33 of this report.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 34-59 of this report.

**CITY OF CRESTLINE, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**  
**UNAUDITED**

**Government-Wide Financial Analysis**

The table below provides a summary of the City's net assets for 2004 and 2003:

	<b>Net Assets</b>					
	Governmental	Business-type	Governmental	Business-type	2004	2003
	Activities	Activities	Activities	Activities	Total	Total
	<u>2004</u>	<u>2004</u>	<u>2003</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<u>Assets</u>						
Current and other assets	\$ 2,586,997	\$ 1,102,084	\$ 2,639,041	\$ 1,401,010	\$ 3,689,081	\$ 4,040,051
Capital assets	<u>5,538,170</u>	<u>6,177,366</u>	<u>5,624,004</u>	<u>6,376,569</u>	<u>11,715,536</u>	<u>12,000,573</u>
Total assets	<u>8,125,167</u>	<u>7,279,450</u>	<u>8,263,045</u>	<u>7,777,579</u>	<u>15,404,617</u>	<u>16,040,624</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	624,913	2,376,424	739,636	1,560,889	3,001,337	2,300,525
Other liabilities	<u>659,311</u>	<u>71,782</u>	<u>735,995</u>	<u>1,088,974</u>	<u>731,093</u>	<u>1,824,969</u>
Total liabilities	<u>1,284,224</u>	<u>2,448,206</u>	<u>1,475,631</u>	<u>2,649,863</u>	<u>3,732,430</u>	<u>4,125,494</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	5,098,441	3,824,914	4,875,290	3,961,380	8,923,355	8,836,670
Restricted	1,455,527	-	1,521,855	243,176	1,455,527	1,765,031
Unrestricted	<u>286,975</u>	<u>1,006,330</u>	<u>390,269</u>	<u>923,160</u>	<u>1,293,305</u>	<u>1,313,429</u>
Total net assets	<u>\$ 6,840,943</u>	<u>\$ 4,831,244</u>	<u>\$ 6,787,414</u>	<u>\$ 5,127,716</u>	<u>\$ 11,672,187</u>	<u>\$ 11,915,130</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2004, the City's assets exceeded liabilities by \$11,672,187. At year-end, net assets were \$6,840,943 and \$4,831,244 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 76.05% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles, construction in progress and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2004, were \$5,098,441 and \$3,824,914 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net assets, \$1,455,527, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$286,975 may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF CRESTLINE, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED**

The table below shows the changes in net assets for fiscal years 2004 and 2003.

	Change in Net Assets					
	Governmental	Business-type	Governmental	Business-type	2004	2003
	Activities	Activities	Activities	Activities	Total	Total
	2004	2004	2003	2003		
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 223,776	\$ 1,161,374	\$ 239,406	\$ 1,221,762	\$ 1,385,150	\$ 1,461,168
Operating grants and contributions	498,021	-	267,458	-	498,021	267,458
Capital grants and contributions	-	-	89,792	-	-	89,792
<b>Total program revenues</b>	<b>721,797</b>	<b>1,161,374</b>	<b>596,656</b>	<b>1,221,762</b>	<b>1,883,171</b>	<b>1,818,418</b>
General revenues:						
Property taxes	359,742	-	296,926	-	359,742	296,926
Income taxes	1,135,903	-	1,315,066	-	1,135,903	1,315,066
Unrestricted grants and entitlements	262,966	-	330,980	-	262,966	330,980
Investment earnings	34,148	-	35,444	1,219	34,148	36,663
Miscellaneous	63,219	1,511	39,617	13,208	64,730	52,825
<b>Total general revenues</b>	<b>1,855,978</b>	<b>1,511</b>	<b>2,018,033</b>	<b>14,427</b>	<b>1,857,489</b>	<b>2,032,460</b>
<b>Total revenues</b>	<b>2,577,775</b>	<b>1,162,885</b>	<b>2,614,689</b>	<b>1,236,189</b>	<b>3,740,660</b>	<b>3,850,878</b>
Expenses:						
General government	455,937	-	688,807	-	455,937	688,807
Security of persons and property	1,162,469	-	1,418,357	-	1,162,469	1,418,357
Transportation	419,197	-	227,675	-	419,197	227,675
Community environment	377,948	-	257,759	-	377,948	257,759
Leisure time activity	44,125	-	15,153	-	44,125	15,153
Interest and fiscal charges	40,418	-	48,958	-	40,418	48,958
Water	-	605,126	-	598,232	605,126	598,232
Sewer	-	659,364	-	813,340	659,364	813,340
Other enterprise	-	219,019	-	60,911	219,019	60,911
<b>Total expenses</b>	<b>2,500,094</b>	<b>1,483,509</b>	<b>2,656,709</b>	<b>1,472,483</b>	<b>3,983,603</b>	<b>4,129,192</b>
Transfers	(24,152)	24,152	(24,152)	24,152	-	-
<b>Change in net assets</b>	<b>53,529</b>	<b>(296,472)</b>	<b>(66,172)</b>	<b>(212,142)</b>	<b>(242,943)</b>	<b>(278,314)</b>
Net assets at beginning of year	6,787,414	5,127,716	6,853,586	5,339,858	11,915,130	12,193,444
<b>Net assets at end of year</b>	<b>\$ 6,840,943</b>	<b>\$ 4,831,244</b>	<b>\$ 6,787,414</b>	<b>\$ 5,127,716</b>	<b>\$ 11,672,187</b>	<b>\$ 11,915,130</b>

**CITY OF CRESTLINE, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED**

**Governmental Activities**

Governmental activities net assets increased \$53,529 in 2004. This increase is a result of decreasing expenses and slightly decreasing revenues versus amounts reported in the prior year.

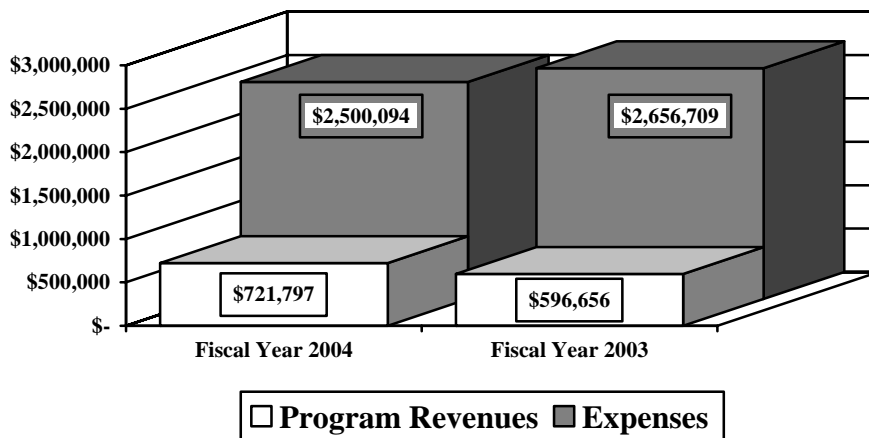
Security of persons and property, which primarily supports the operations of the police and fire department's accounted for \$1,162,469 the total expenses of the City. General government expenses totaled \$455,937. General government expenses were partially funded by \$5,542 in direct charges to users of the services. Transportation expenses were partially funded by \$207,263 in operating grants and contributions.

The state and federal government contributed to the City a total of \$498,021 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$207,263 subsidized transportation programs and \$290,758 subsidized community environment activities.

General revenues totaled \$1,855,978, and amounted to 72.00% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$1,495,645. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$262,966.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the City is highly dependent upon general revenues (primarily property and income taxes as well as unrestricted grants and entitlements) to support its governmental activities. As program revenues are not sufficient to cover total governmental expenses for 2004.

**Governmental Activities – Program Revenues vs. Total Expenses**



**CITY OF CRESTLINE, OHIO**

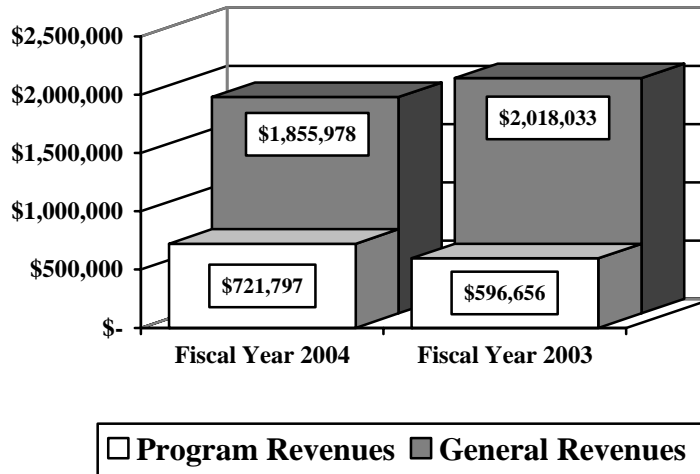
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED**

**Governmental Activities**

	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
Program Expenses:				
General government	\$ 455,937	\$ 450,395	\$ 688,807	\$ 679,322
Security of persons and property	1,162,469	1,001,307	1,418,357	1,242,205
Transportation	419,197	211,934	227,675	(31,007)
Community environment	377,948	45,809	257,759	193,102
Leisure time activity	44,125	28,434	15,153	(72,527)
Interest and fiscal charges	40,418	40,418	48,958	48,958
<b>Total</b>	<b>\$ 2,500,094</b>	<b>\$ 1,778,297</b>	<b>\$ 2,656,709</b>	<b>\$ 2,060,053</b>

The dependence upon general revenues for governmental activities is apparent, with 71.13% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2004 and 2003.

**Governmental Activities – General and Program Revenues**



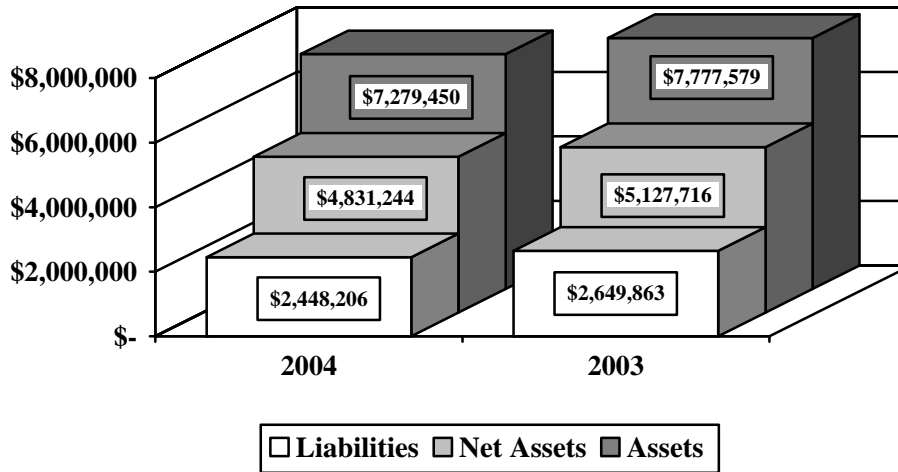
**CITY OF CRESTLINE, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED**

**Business-type Activities**

Business-type activities include the water, sewer, and ambulance service enterprise funds. These programs had program revenues of \$1,161,374, general revenues of \$1,511 and expenses of \$1,483,509 for 2004. The graph below shows the business-type activities assets, liabilities and net assets at year-end.

**Net Assets in Business – Type Activities**



**Financial Analysis of the Government's Funds**

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

**Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at year-end.

The City's governmental funds (as presented on the balance sheet on page 20-21) reported a combined fund balance of \$1,336,088 which is \$7,807 below last year's total of \$1,343,895. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2004 for all major and nonmajor governmental funds.

	Fund Balances <u>12/31/04</u>	Fund Balances <u>12/31/03</u>	Increase <u>(Decrease)</u>
Major funds:			
General	\$ 167,740	\$ 118,107	\$ 49,633
Street construction and maintenance	156,630	151,426	5,204
Community development block grant	191,533	195,342	(3,809)
Capital improvements	524,777	508,688	16,089
Other nonmajor governmental funds	<u>295,408</u>	<u>370,332</u>	<u>(74,924)</u>
Total	<u>\$ 1,336,088</u>	<u>\$ 1,343,895</u>	<u>\$ (7,807)</u>



**CITY OF CRESTLINE, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED**

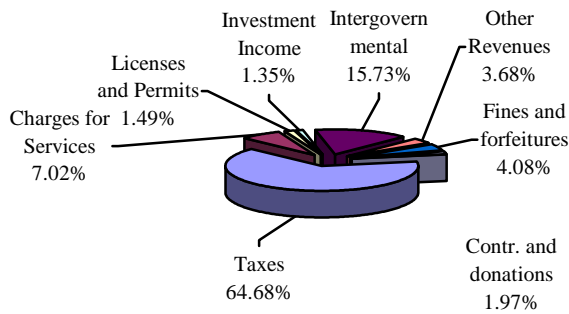
**General Fund**

The City's general fund balance increased \$49,633. The table that follows assists in illustrating the revenues of the general fund.

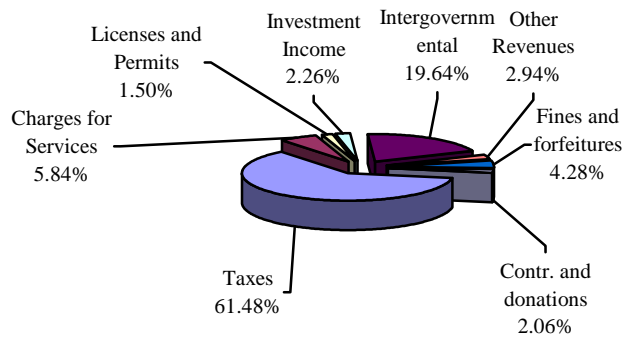
	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 1,040,745	\$ 985,695	5.58 %
Charges for services	112,882	93,637	20.55 %
Licenses and permits	24,044	23,976	0.28 %
Fines and forfeitures	65,657	68,644	(4.35) %
Investment income	21,642	36,314	(40.40) %
Contributions and donations	31,732	33,073	(4.05) %
Intergovernmental	253,000	314,805	(19.63) %
Other	59,255	47,127	25.73 %
<b>Total</b>	<b><u>\$ 1,608,957</u></b>	<b><u>\$ 1,603,271</u></b>	<b>0.35 %</b>

Tax revenue represents 64.68% of all general fund revenue. Tax revenue increased 5.58% over prior year. The increase in taxes revenue is due to an increase in the collections of municipal income taxes. The decrease in investment income is due to the amount of funds in the City's investment portfolio throughout the year.

**Revenues – Fiscal Year 2004**



**Revenues – Fiscal Year 2003**



**CITY OF CRESTLINE, OHIO**

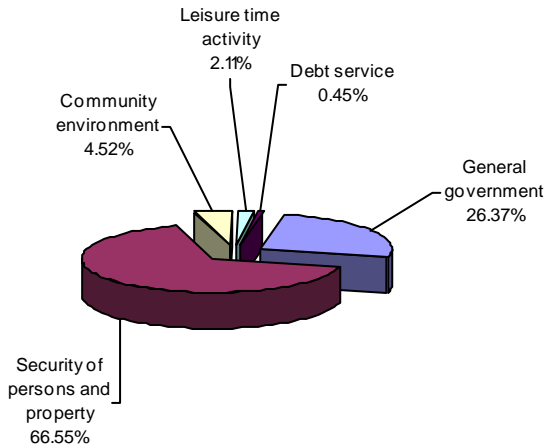
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED**

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

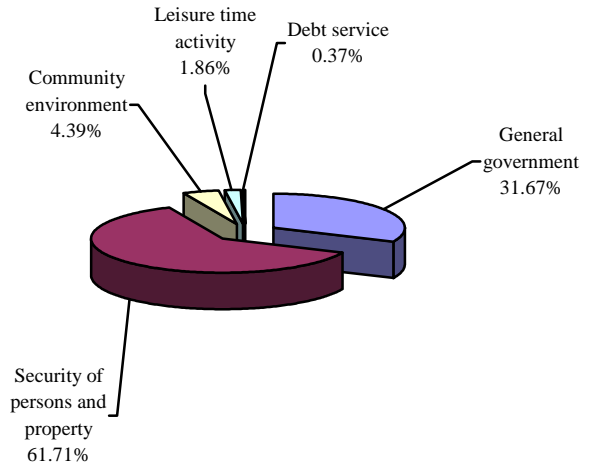
	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Expenditures</u></b>			
General government	\$ 393,530	\$ 573,631	(31.40) %
Security of persons and property	993,141	1,117,763	(11.15) %
Community environment	67,531	79,603	(15.17) %
Leisure time activity	31,562	33,756	(6.50) %
Debt service	<u>6,710</u>	<u>6,710</u>	-
 Total	 <u>\$ 1,492,474</u>	 <u>\$ 1,811,463</u>	 (17.61) %

The City reduced total expenditures by 17.61%. The largest expenditure line item, security of persons and property, decreased slightly, which is primarily attributed to wage and benefit cuts.

**Expenditures - Fiscal Year 2004**



**Expenditures - Fiscal Year 2003**



***Budgeting Highlights***

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

Budgetary information is presented for the general fund and street construction and maintenance fund. In the general fund, one of the most significant changes was between the original and final budgeted amount in the area of expenditures, which increased \$63,233 from \$1,602,060 to \$1,665,293. Actual revenues of \$1,592,069 were less than final budgeted revenues by \$64,907. The other significant change was between the final budgeted expenditures and actual expenditures. Actual expenditures came in \$76,932 lower than the final budgeted amounts.

**CITY OF CRESTLINE, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED**

***Street Construction and Maintenance Fund***

The street construction and maintenance fund had revenues of \$295,811 in 2004. The expenditures of the street construction and maintenance fund, totaled \$290,607 in 2004. The net increase in fund balance for the street construction and maintenance fund was \$5,204 or 3.44%.

***Community Development Block Grant Fund***

The community development block grant fund had revenues of \$306,608 in 2004. The expenditures of the community development block grant fund, totaled \$310,417 in 2004. The net decrease in fund balance for the community development block grant fund was \$3,809 or 1.95%.

***Capital Improvements Fund***

The capital improvements fund had revenues of \$248,475 in 2004. The expenditures and other financing uses of the capital improvements fund, totaled \$232,386 in 2004. The net increase in fund balance for the capital improvements fund was \$16,089 or 3.16%.

***Proprietary Funds***

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

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2004, the City had \$11,715,536 (net of accumulated depreciation) invested in land, buildings and improvements, improvements other than buildings, furniture and equipment, vehicles, infrastructure and construction in progress. Of this total, \$5,538,170 was reported in governmental activities and \$6,177,366 was reported in business-type activities. See Note 9 for further description of capital assets. The following table shows fiscal 2004 balances compared to 2003:

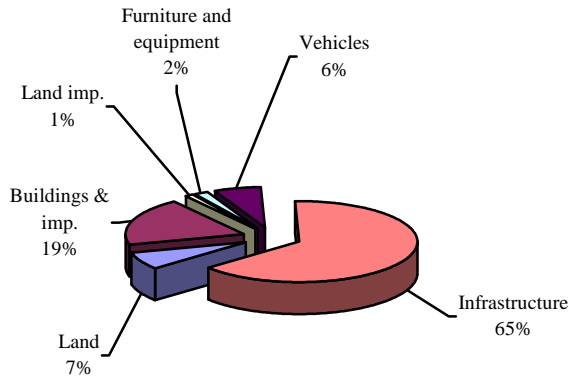
**Capital Assets at December 31  
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	\$ 380,645	\$ 380,645	\$ 111,558	\$ 111,558	\$ 492,203	\$ 492,203
Land improvements	51,078	35,072	19,950	21,280	71,028	56,352
Buildings and improvements	1,069,144	1,067,976	1,463,960	1,507,050	2,533,104	2,575,026
Furniture and equipment	112,875	120,959	3,146,632	3,242,845	3,259,507	3,363,804
Vehicles	351,340	389,909	236,467	264,837	587,807	654,746
Infrastructure	3,573,088	3,600,682	-	-	3,573,088	3,600,682
Water and sewer lines	-	-	1,198,799	1,228,999	1,198,799	1,228,999
Construction in progress	-	28,761	-	-	-	28,761
Totals	<u>\$ 5,538,170</u>	<u>\$ 5,624,004</u>	<u>\$ 6,177,366</u>	<u>\$ 6,376,569</u>	<u>\$ 11,715,536</u>	<u>\$ 12,000,573</u>

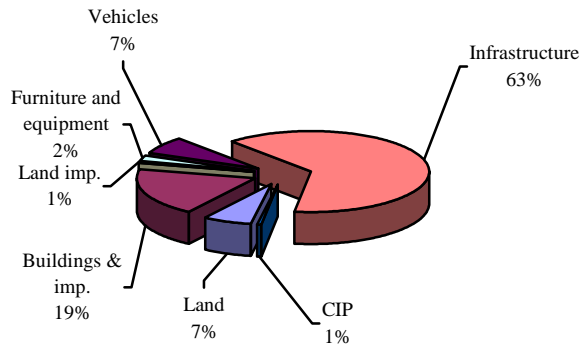
**CITY OF CRESTLINE, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**  
**UNAUDITED**

The following graphs show the breakdown of governmental capital assets by category for 2004 and 2003.

**Capital Assets - Governmental Activities 2004**



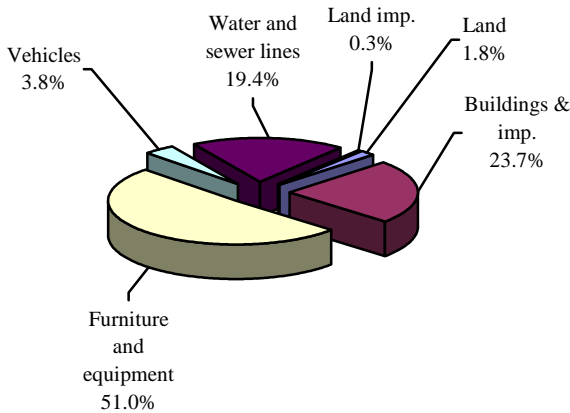
**Capital Assets - Governmental Activities 2003**



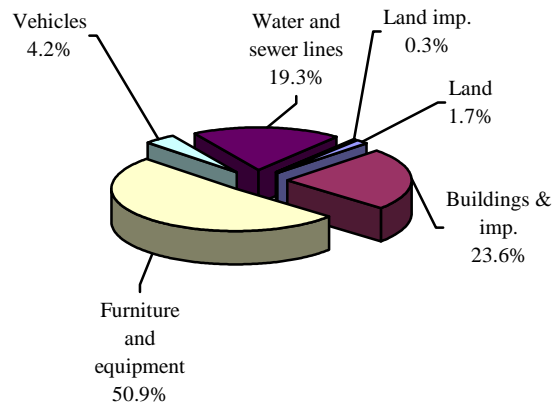
The City's largest capital asset category is infrastructure which includes bridges and streets. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 65% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2004 and 2003.

**Capital Assets - Business-Type Activities 2004**



**Capital Assets - Business-Type Activities 2003**



The City's third largest business-type capital asset category is water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's water and sewer lines (cost less accumulated depreciation) represents approximately 19.4% of the City's total business-type capital assets.

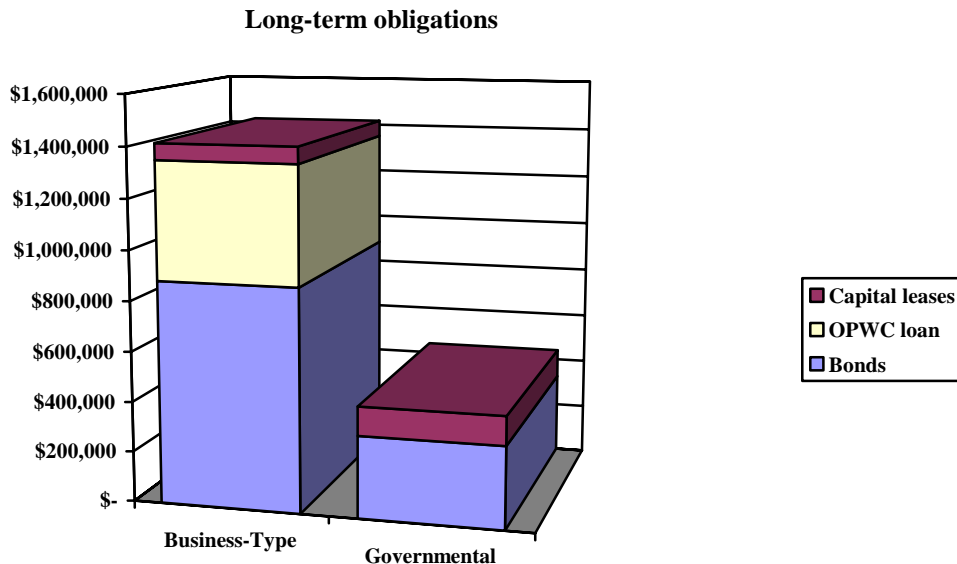
**CITY OF CRESTLINE, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**  
**UNAUDITED**

***Debt Administration***

The City had the following long-term obligations outstanding at December 31, 2004 and 2003:

	Governmental Activities	
	<u>2004</u>	<u>2003</u>
Capital leases payable	\$ 114,729	\$ 148,714
General obligation bonds	<u>325,000</u>	<u>390,000</u>
<b>Total long-term obligations</b>	<b><u>\$ 439,729</u></b>	<b><u>\$ 538,714</u></b>
	Business-type Activities	
	<u>2004</u>	<u>2003</u>
Revenue bonds	885,000	985,000
Capital leases	64,536	83,652
OPWC loan	<u>466,916</u>	<u>466,916</u>
<b>Total long-term obligations</b>	<b><u>\$1,416,452</u></b>	<b><u>\$1,535,568</u></b>

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



Further detail on the City's long-term obligations can be found in Note 16 to the financial statements.

**CITY OF CRESTLINE, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**  
**UNAUDITED**

**Economic Conditions and Outlook**

The City's current population as of the 2000 census is 4,974.

The City is located in Crawford County. Crawford County has an unemployment rate currently of 7.6%, compared to the 6.1% state average and the 6.0% national average.

State funding is uncertain due to budgetary shortfalls at the State level. It appears Local Government Revenue and Local Government Revenue Assistance Funds may be cut by 10% in the next biennial State budget. These funds represented 14.86% of the City's general fund revenue in 2004. Income and property tax revenues are expected to remain consistent as well as expenditures.

These economic factors were considered in preparing the City's budget for fiscal year 2005. Budgeted revenues and other financing sources in the general fund for fiscal year 2005 are \$1,597,860. The City has continued to practice conservative budgetary practices in order to preserve a positive financial position in future years.

**Contacting the City's Financial Management**

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

**BASIC  
FINANCIAL STATEMENTS**

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**CITY OF CRESTLINE, OHIO**

STATEMENT OF NET ASSETS  
DECEMBER 31, 2004

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 1,376,163	\$ 708,166	\$ 2,084,329
Cash in segregated accounts . . . . .	12,283	-	12,283
Cash with fiscal agents. . . . .	-	173,059	173,059
Receivables (net of allowances for uncollectibles):			
Income taxes . . . . .	562,165	-	562,165
Real and other taxes . . . . .	331,896	-	331,896
Accounts . . . . .	18,261	208,493	226,754
Accrued interest . . . . .	6,435	-	6,435
Notes. . . . .	17,685	-	17,685
Intergovernmental . . . . .	230,077	-	230,077
Prepayments . . . . .	32,032	12,366	44,398
Capital assets:			
Land and construction in progress. . . . .	380,645	111,558	492,203
Depreciable capital assets, net . . . . .	<u>5,157,525</u>	<u>6,065,808</u>	<u>11,223,333</u>
Total capital assets, net . . . . .	<u>5,538,170</u>	<u>6,177,366</u>	<u>11,715,536</u>
 Total assets. . . . .	 <u>8,125,167</u>	 <u>7,279,450</u>	 <u>15,404,617</u>
<b>Liabilities:</b>			
Accounts payable. . . . .	77,928	22,343	100,271
Accrued wages and benefits . . . . .	46,211	18,697	64,908
Due to other governments . . . . .	60,024	15,625	75,649
Deferred revenue. . . . .	316,994	-	316,994
Accrued interest payable. . . . .	2,765	12,342	15,107
Notes payable . . . . .	150,000	-	150,000
Claims payable . . . . .	5,389	2,775	8,164
Long-term liabilities:			
Due within one year . . . . .	150,594	1,083,244	1,233,838
Due in more than one year . . . . .	<u>474,319</u>	<u>1,293,180</u>	<u>1,767,499</u>
 Total liabilities . . . . .	 <u>1,284,224</u>	 <u>2,448,206</u>	 <u>3,732,430</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt . . . . .	5,098,441	3,824,914	8,923,355
Restricted for:			
Capital projects. . . . .	632,078	-	632,078
Debt service . . . . .	219,769	-	219,769
Transportation projects. . . . .	336,743	-	336,743
Community environment programs. . . . .	191,908	-	191,908
Other purposes . . . . .	75,029	-	75,029
Unrestricted. . . . .	<u>286,975</u>	<u>1,006,330</u>	<u>1,293,305</u>
 Total net assets . . . . .	 <u>\$ 6,840,943</u>	 <u>\$ 4,831,244</u>	 <u>\$ 11,672,187</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CRESTLINE, OHIO**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Program Revenues</b>		
<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	
<b>Governmental Activities:</b>			
General government . . . . .	\$ 455,937	\$ 5,542	\$ -
Security of persons and property. . . . .	1,162,469	161,162	-
Transportation . . . . .	419,197	-	207,263
Community environment. . . . .	377,948	41,381	290,758
Leisure time activity. . . . .	44,125	15,691	-
Interest and fiscal charges. . . . .	40,418	-	-
Total governmental activities . . . . .	2,500,094	223,776	498,021
<b>Business-type Activities:</b>			
Water . . . . .	605,126	598,563	-
Sewer . . . . .	659,364	479,655	-
Ambulance services . . . . .	219,019	83,156	-
Total business-type activities . . . . .	1,483,509	1,161,374	-
Total primary government. . . . .	\$ 3,983,603	\$ 1,385,150	\$ 498,021

**General Revenues:**

Property taxes levied for:

- General purposes. . . . .
- Debt service . . . . .
- Police pension . . . . .
- Fire pension . . . . .

Income taxes levied for:

- General purposes. . . . .
- Street construction and maintenance. . . . .
- Capital improvements . . . . .
- Grants and entitlements not restricted to specific programs . . . . .
- Investment earnings . . . . .
- Miscellaneous . . . . .

Total general revenues. . . . .

Transfers. . . . .

Change in net assets. . . . .

**Net assets at beginning of year. . . . .**

**Net assets at end of year . . . . .**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue and Changes in Net Assets**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (450,395)	\$ -	\$ (450,395)
(1,001,307)	-	(1,001,307)
(211,934)	-	(211,934)
(45,809)	-	(45,809)
(28,434)	-	(28,434)
(40,418)	-	(40,418)
(1,778,297)	-	(1,778,297)
-	(6,563)	(6,563)
-	(179,709)	(179,709)
-	(135,863)	(135,863)
-	(322,135)	(322,135)
(1,778,297)	(322,135)	(2,100,432)
146,837	-	146,837
185,036	-	185,036
13,936	-	13,936
13,933	-	13,933
834,199	-	834,199
106,822	-	106,822
194,882	-	194,882
262,966	-	262,966
34,148	-	34,148
63,219	1,511	64,730
1,855,978	1,511	1,857,489
(24,152)	24,152	-
53,529	(296,472)	(242,943)
6,787,414	5,127,716	11,915,130
<u>\$ 6,840,943</u>	<u>\$ 4,831,244</u>	<u>\$ 11,672,187</u>

**CITY OF CRESTLINE, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2004

	<u>General</u>	<u>Street Construction and Maintenance</u>	<u>Community Development Block Grant</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 97,512	\$ 125,768	\$ 215,118
Cash in segregated accounts . . . . .	9,885	-	-
Receivables (net of allowance for uncollectibles):			
Income taxes . . . . .	419,600	48,065	-
Real and other taxes . . . . .	158,330	-	-
Intergovernmental . . . . .	120,160	70,690	-
Accounts . . . . .	18,261	-	-
Accrued interest . . . . .	5,149	449	439
Notes . . . . .	-	-	17,685
Due from other funds . . . . .	-	-	-
Prepayments . . . . .	21,246	10,341	-
	<hr/>	<hr/>	<hr/>
Total assets . . . . .	<u>\$ 850,143</u>	<u>\$ 255,313</u>	<u>\$ 233,242</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 29,096	\$ 5,177	\$ 41,334
Accrued wages and benefits . . . . .	45,566	645	-
Due to other funds . . . . .	2,420	-	-
Due to other governments . . . . .	22,655	452	-
Deferred revenue . . . . .	577,277	92,409	375
Accrued interest payable . . . . .	-	-	-
Claims payable . . . . .	5,389	-	-
Notes payable . . . . .	-	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities . . . . .	<u>682,403</u>	<u>98,683</u>	<u>41,709</u>
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	1,306	14,087	29,243
Reserved for prepayments . . . . .	21,246	10,341	-
Reserved for noncurrent notes receivable . . . . .	-	-	12,011
Reserved for debt service . . . . .	-	-	-
Unreserved, undesignated (deficit), reported in:			
General fund . . . . .	145,188	-	-
Special revenue funds . . . . .	-	132,202	150,279
Capital projects funds . . . . .	-	-	-
	<hr/>	<hr/>	<hr/>
Total fund balances . . . . .	<u>167,740</u>	<u>156,630</u>	<u>191,533</u>
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances . . . . .	<u>\$ 850,143</u>	<u>\$ 255,313</u>	<u>\$ 233,242</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Capital Improvements</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 498,554	\$ 439,211	\$ 1,376,163
-	2,398	12,283
94,500	-	562,165
-	173,566	331,896
-	39,227	230,077
-	-	18,261
-	398	6,435
-	-	17,685
-	2,420	2,420
445	-	32,032
<u>\$ 593,499</u>	<u>\$ 657,220</u>	<u>\$ 2,589,417</u>
\$ 2,321	\$ -	\$ 77,928
-	-	46,211
-	-	2,420
-	-	23,107
66,401	211,225	947,687
-	587	587
-	-	5,389
-	150,000	150,000
<u>68,722</u>	<u>361,812</u>	<u>1,253,329</u>
6,426	18,050	69,112
445	-	32,032
-	-	12,011
-	206,095	206,095
-	-	145,188
-	124,877	407,358
517,906	(53,614)	464,292
<u>524,777</u>	<u>295,408</u>	<u>1,336,088</u>
<u>\$ 593,499</u>	<u>\$ 657,220</u>	<u>\$ 2,589,417</u>

**CITY OF CRESTLINE, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2004

<b>Total governmental fund balances</b>		\$ 1,336,088
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,538,170
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	\$ 15,172	
Income taxes	395,549	
Fines and forfeitures	18,261	
Intergovernmental revenues	196,218	
Accrued interest	5,493	
Total		630,693
Due to other governments includes contractually required pension contributions not expected to be paid with available expendable financial resources and, therefore, are not reported in the funds.		(36,917)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities (excluding amounts reported in the internal service funds) are as follows:		
Accrued interest payable	(2,178)	
General obligations bonds	(325,000)	
Police and fire pension	(114,013)	
Compensated absences	(71,171)	
Capital lease payable	(114,729)	
		(627,091)
 <b>Net assets of governmental activities</b>		 \$ 6,840,943

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF CRESTLINE, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>General</u>	<u>Street Construction and Maintenance</u>	<u>Community Development Block Grant</u>
<b>Revenues:</b>			
Municipal income taxes . . . . .	\$ 901,256	\$ 143,171	\$ -
Property and other taxes . . . . .	139,489	-	-
Charges for services . . . . .	112,882	-	-
Licenses and permits . . . . .	24,044	-	-
Fines and forfeitures . . . . .	65,657	-	-
Intergovernmental . . . . .	253,000	149,342	303,183
Investment income . . . . .	21,642	2,258	2,637
Rental income . . . . .	4,203	-	-
Gifts and donations . . . . .	31,732	-	-
Other . . . . .	55,052	1,040	788
Total revenues . . . . .	<u>1,608,957</u>	<u>295,811</u>	<u>306,608</u>
<b>Expenditures:</b>			
Current:			
General government . . . . .	393,530	-	-
Security of persons and property . . . . .	993,141	-	-
Transportation . . . . .	-	290,607	-
Community environment . . . . .	67,531	-	310,417
Leisure time activity . . . . .	31,562	-	-
Capital outlay . . . . .	-	-	-
Debt service:			
Principal retirement . . . . .	1,806	-	-
Interest and fiscal charges . . . . .	4,904	-	-
Total expenditures . . . . .	<u>1,492,474</u>	<u>290,607</u>	<u>310,417</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>116,483</u>	<u>5,204</u>	<u>(3,809)</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	-	-
Transfers out . . . . .	<u>(66,850)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) . . . . .	<u>(66,850)</u>	<u>-</u>	<u>-</u>
Net change in fund balances . . . . .	49,633	5,204	(3,809)
<b>Fund balances at beginning of year . . . . .</b>	<u>118,107</u>	<u>151,426</u>	<u>195,342</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 167,740</u>	<u>\$ 156,630</u>	<u>\$ 191,533</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



<b>Capital Improvements</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 246,569	\$ -	\$ 1,290,996
-	215,521	355,010
-	-	112,882
-	-	24,044
-	7,067	72,724
-	76,072	781,597
-	2,645	29,182
-	-	4,203
-	-	31,732
1,906	230	59,016
<u>248,475</u>	<u>301,535</u>	<u>2,761,386</u>
-	2,357	395,887
-	103,999	1,097,140
-	18,797	309,404
-	-	377,948
-	4,712	36,274
165,296	11,331	176,627
33,985	275,000	310,791
8,953	27,113	40,970
<u>208,234</u>	<u>443,309</u>	<u>2,745,041</u>
40,241	(141,774)	16,345
-	216,850	216,850
<u>(24,152)</u>	<u>(150,000)</u>	<u>(241,002)</u>
<u>(24,152)</u>	<u>66,850</u>	<u>(24,152)</u>
16,089	(74,924)	(7,807)
<u>508,688</u>	<u>370,332</u>	<u>1,343,895</u>
<u>\$ 524,777</u>	<u>\$ 295,408</u>	<u>\$ 1,336,088</u>

**CITY OF CRESTLINE, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004

<b>Net change in fund balances - total governmental funds</b>	\$	(7,807)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay expense (\$127,484) exceeded depreciation (\$213,318) in the current period.		(85,834)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(183,611)
Repayment of bond, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		310,791
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		551
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Due to other governments	5,507	
Compensated absences payable	13,932	
	19,439	19,439
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>53,529</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CRESTLINE, OHIO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Municipal income taxes . . . . .	\$ 894,504	\$ 943,359	\$ 894,553	\$ (48,806)
Property and other taxes . . . . .	142,691	142,691	139,489	(3,202)
Charges for services . . . . .	66,682	66,682	65,186	(1,496)
Licenses and permits. . . . .	24,596	24,596	24,044	(552)
Fines and forfeitures. . . . .	67,335	67,335	65,824	(1,511)
Intergovernmental . . . . .	258,843	258,843	253,034	(5,809)
Rental Income . . . . .	4,299	4,299	4,203	(96)
Investment income . . . . .	44,669	44,669	43,667	(1,002)
Donations . . . . .	32,460	32,460	31,732	(728)
Other . . . . .	72,042	72,042	70,337	(1,705)
Total revenues. . . . .	<u>1,608,121</u>	<u>1,656,976</u>	<u>1,592,069</u>	<u>(64,907)</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	449,857	438,663	412,220	26,443
Security of persons and property . . . . .	1,066,435	1,121,770	1,077,155	44,615
Community environment . . . . .	50,990	67,542	67,531	11
Leisure time activity . . . . .	34,778	37,318	31,455	5,863
Total expenditures . . . . .	<u>1,602,060</u>	<u>1,665,293</u>	<u>1,588,361</u>	<u>76,932</u>
<b>Net change in fund balance . . . . .</b>	6,061	(8,317)	3,708	12,025
<b>Fund balance at beginning of year . . . . .</b>	92,836	92,836	92,836	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>4,448</u>	<u>4,448</u>	<u>4,448</u>	<u>-</u>
<b>Fund balance at end of year. . . . .</b>	<u>\$ 103,345</u>	<u>\$ 88,967</u>	<u>\$ 100,992</u>	<u>\$ 12,025</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CRESTLINE, OHIO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 STREET CONSTRUCTION AND MAINTENANCE  
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Municipal income taxes . . . . .	\$ 140,386	\$ 140,386	\$ 151,157	\$ 10,771
Intergovernmental . . . . .	137,113	137,113	147,633	10,520
Investment income . . . . .	3,535	3,535	3,806	271
Other . . . . .	37	37	40	3
Total revenues. . . . .	<u>281,071</u>	<u>281,071</u>	<u>302,636</u>	<u>21,565</u>
<b>Expenditures:</b>				
Current:				
Transportation . . . . .	<u>259,000</u>	<u>301,800</u>	<u>302,290</u>	<u>(490)</u>
Total expenditures . . . . .	<u>259,000</u>	<u>301,800</u>	<u>302,290</u>	<u>(490)</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>22,071</u>	<u>(20,729)</u>	<u>346</u>	<u>21,075</u>
<b>Other financing sources:</b>				
Proceeds from sale of capital assets. . . . .	<u>929</u>	<u>929</u>	<u>1,000</u>	<u>71</u>
Total other financing sources . . . . .	<u>929</u>	<u>929</u>	<u>1,000</u>	<u>71</u>
Net change in fund balance . . . . .	23,000	(19,800)	1,346	21,146
<b>Fund balance at beginning of year . . . . .</b>	107,358	107,358	107,358	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>2,949</u>	<u>2,949</u>	<u>2,949</u>	<u>-</u>
<b>Fund balance at end of year. . . . .</b>	<u>\$ 133,307</u>	<u>\$ 90,507</u>	<u>\$ 111,653</u>	<u>\$ 21,146</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CRESTLINE, OHIO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 COMMUNITY DEVELOPMENT BLOCK GRANT  
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental . . . . .	\$ 493,347	\$ 493,347	\$ 303,183	\$ (190,164)
Investment income . . . . .	6,066	6,066	3,728	(2,338)
Other . . . . .	10,852	10,852	6,669	(4,183)
Total revenues. . . . .	<u>510,265</u>	<u>510,265</u>	<u>313,580</u>	<u>(196,685)</u>
<b>Expenditures:</b>				
Current:				
Community environment . . . . .	<u>657,000</u>	<u>657,000</u>	<u>315,665</u>	<u>341,335</u>
Total expenditures . . . . .	<u>657,000</u>	<u>657,000</u>	<u>315,665</u>	<u>341,335</u>
Net change in fund balance . . . . .	(146,735)	(146,735)	(2,085)	144,650
<b>Fund balance at beginning of year . . . . .</b>	177,588	177,588	177,588	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>2,181</u>	<u>2,181</u>	<u>2,181</u>	<u>-</u>
<b>Fund balance at end of year. . . . .</b>	<u>\$ 33,034</u>	<u>\$ 33,034</u>	<u>\$ 177,684</u>	<u>\$ 144,650</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CRESTLINE, OHIO**

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2004

	<b>Business-type Activities -Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Ambulance Service</b>	<b>Total</b>
<b>Assets:</b>				
Current assets:				
Equity in pooled cash and cash equivalents . . . . .	\$ 594,983	\$ 24,750	\$ 13,433	\$ 633,166
Receivables (net of allowance for uncollectibles):				
Accounts . . . . .	91,987	74,742	41,764	208,493
Prepayments. . . . .	5,676	6,540	150	12,366
Total current assets . . . . .	<u>692,646</u>	<u>106,032</u>	<u>55,347</u>	<u>854,025</u>
Noncurrent Assets:				
Restricted assets:				
Cash with fiscal agents. . . . .	173,059	-	-	173,059
Equity in pooled cash and cash equivalents . . . . .	75,000	-	-	75,000
Capital assets:				
Land and construction in progress . . . . .	207,323	37,235	-	244,558
Depreciable capital assets, net . . . . .	2,304,847	3,378,290	249,671	5,932,808
Total capital assets . . . . .	<u>2,512,170</u>	<u>3,415,525</u>	<u>249,671</u>	<u>6,177,366</u>
Total noncurrent assets . . . . .	<u>2,760,229</u>	<u>3,415,525</u>	<u>249,671</u>	<u>6,425,425</u>
Total assets . . . . .	<u>3,452,875</u>	<u>3,521,557</u>	<u>305,018</u>	<u>7,279,450</u>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable. . . . .	8,780	13,077	486	22,343
Accrued wages and benefits . . . . .	9,222	9,223	252	18,697
Compensated absences . . . . .	11,869	11,869	-	23,738
Due to other governments . . . . .	7,729	7,719	177	15,625
Accrued interest payable . . . . .	197	12,145	-	12,342
Claims payable. . . . .	1,306	1,306	163	2,775
Current portion of capital lease obligation . . . . .	-	-	20,267	20,267
Total current liabilities . . . . .	<u>39,103</u>	<u>55,339</u>	<u>21,345</u>	<u>115,787</u>
Long-term liabilities:				
Revenue bonds . . . . .	885,000	-	-	885,000
OPWC Loans . . . . .	-	466,916	-	466,916
Notes . . . . .	-	936,000	-	936,000
Capital lease obligation . . . . .	-	-	44,269	44,269
Compensated absences . . . . .	-	-	234	234
Total long-term liabilities . . . . .	<u>885,000</u>	<u>1,402,916</u>	<u>44,503</u>	<u>2,332,419</u>
Total liabilities . . . . .	<u>924,103</u>	<u>1,458,255</u>	<u>65,848</u>	<u>2,448,206</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt. . . . .	1,627,170	2,012,609	185,135	3,824,914
Restricted:				
Revenue bond renewal and replacement . . . . .	60,000	-	-	60,000
Revenue bond future debt service . . . . .	15,000	-	-	15,000
Revenue bond current debt service . . . . .	168,176	-	-	168,176
Unrestricted . . . . .	<u>658,426</u>	<u>50,693</u>	<u>54,035</u>	<u>763,154</u>
Total net assets . . . . .	<u>\$ 2,528,772</u>	<u>\$ 2,063,302</u>	<u>\$ 239,170</u>	<u>\$ 4,831,244</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CRESTLINE, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Ambulance Service</b>	<b>Total</b>
<b>Operating revenues:</b>				
Charges for services . . . . .	\$ 598,563	\$ 479,655	\$ 83,156	\$ 1,161,374
Other . . . . .	772	1	435	1,208
Total operating revenues . . . . .	<u>599,335</u>	<u>479,656</u>	<u>83,591</u>	<u>1,162,582</u>
<b>Operating expenses:</b>				
Personal services . . . . .	343,584	343,295	164,754	851,633
Contract services . . . . .	100,986	161,165	11,502	273,653
Materials and supplies . . . . .	19,755	30,516	7,340	57,611
Depreciation . . . . .	90,090	108,045	30,387	228,522
Other . . . . .	767	72	-	839
Total operating expenses . . . . .	<u>555,182</u>	<u>643,093</u>	<u>213,983</u>	<u>1,412,258</u>
Operating income (loss) . . . . .	<u>44,153</u>	<u>(163,437)</u>	<u>(130,392)</u>	<u>(249,676)</u>
<b>Nonoperating expenses:</b>				
Interest revenue . . . . .	303	-	-	303
Interest expense and fiscal charges . . . . .	(49,944)	(16,271)	(5,036)	(71,251)
Total nonoperating expenses . . . . .	<u>(49,641)</u>	<u>(16,271)</u>	<u>(5,036)</u>	<u>(70,948)</u>
Income (loss) before contributions and transfers . . . . .	(5,488)	(179,708)	(135,428)	(320,624)
Transfers in . . . . .	-	-	24,152	24,152
Changes in net assets . . . . .	(5,488)	(179,708)	(111,276)	(296,472)
<b>Net assets at beginning of year . . . . .</b>	<u>2,534,260</u>	<u>2,243,010</u>	<u>350,446</u>	<u>5,127,716</u>
<b>Net assets at end of year . . . . .</b>	<u>\$ 2,528,772</u>	<u>\$ 2,063,302</u>	<u>\$ 239,170</u>	<u>\$ 4,831,244</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CRESTLINE, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2004

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Ambulance Service</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>				
Cash received from customers . . . . .	\$ 611,288	\$ 496,689	\$ 105,492	\$ 1,213,469
Cash received from other operations. . . . .	852	81	435	1,368
Cash payments for personal services . . . . .	(345,777)	(345,017)	(164,934)	(855,728)
Cash payments for contract services . . . . .	(116,114)	(164,510)	(11,639)	(292,263)
Cash payments for materials and supplies . . . . .	(16,463)	(31,109)	(6,905)	(54,477)
Cash payments for other expenses. . . . .	(767)	(72)	-	(839)
Net cash provided by (used in) operating activities.	<u>133,019</u>	<u>(43,938)</u>	<u>(77,551)</u>	<u>11,530</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets . . . . .	(23,768)	(8,502)	-	(32,270)
Principal retirement on revenue bonds . . . . .	(100,000)	-	-	(100,000)
Principal retirement on notes . . . . .	-	(996,000)	-	(996,000)
Proceeds from sale of notes . . . . .	-	936,000	-	936,000
Interest and fiscal charges. . . . .	(54,024)	(16,733)	-	(70,757)
Net cash used in capital and related financing activities . . . . .	<u>(177,792)</u>	<u>(85,235)</u>	<u>-</u>	<u>(263,027)</u>
Net decrease in cash and cash equivalents . . . . .	(44,773)	(129,173)	(77,551)	(251,497)
<b>Cash and cash equivalents at beginning of year . . .</b>	<u>887,815</u>	<u>153,923</u>	<u>90,984</u>	<u>1,132,722</u>
<b>Cash and cash equivalents at end of year. . . . .</b>	<u>\$ 843,042</u>	<u>\$ 24,750</u>	<u>\$ 13,433</u>	<u>\$ 881,225</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss) . . . . .	\$ 44,153	\$ (163,437)	\$ (130,392)	\$ (249,676)
Adjustments:				
Depreciation . . . . .	90,090	108,045	30,387	228,522
Changes in assets and liabilities:				
Decrease in accounts receivable. . . . .	12,805	17,114	22,336	52,255
(Increase) Decrease in prepayments. . . . .	205	(5,046)	15	(4,826)
Increase (Decrease) in accounts payable . . . . .	(11,522)	1,627	293	(9,602)
Increase in accrued wages and benefits . . . . .	1,994	2,416	100	4,510
Increase in due to other governments . . . . .	29	78	5	112
Increase (Decrease) in compensated absences payable . . . . .	(677)	(677)	5	(1,349)
Increase (Decrease) in claims payable . . . . .	(4,058)	(4,058)	(300)	(8,416)
Net cash provided by (used in) operating activities . . .	<u>\$ 133,019</u>	<u>\$ (43,938)</u>	<u>\$ (77,551)</u>	<u>\$ 11,530</u>

**Non-cash transactions:**

At December 31, 2003, the Water enterprise fund purchased \$5,000 in capital assets on account. At December 31, 2004, the Water enterprise fund purchased no capital assets on account.

At December 31, 2003, the Sewer enterprise fund purchased no capital assets on account. At December 31, 2004, the Sewer enterprise fund purchased \$2,049 in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CITY OF CRESTLINE, OHIO**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
DECEMBER 31, 2004**

	<u>Private-Purpose Trust</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 19,229
Total assets. . . . .	<u>19,229</u>
<b>Net assets:</b>	
Held in trust for other purposes . . . . .	<u>19,229</u>
Total net assets . . . . .	<u>\$ 19,229</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CRESTLINE, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

	<u>Private-Purpose Trust</u>
<b>Additions:</b>	
Gifts and contributions. . . . .	\$ 7,000
Total Additions. . . . .	<u>7,000</u>
<b>Deductions:</b>	
Other. . . . .	<u>6,000</u>
Changes in Net Assets . . . . .	1,000
<b>Net assets at the beginning of the year. . . . .</b>	<u>18,229</u>
<b>Net assets at the end of the year . . . . .</b>	<u>\$ 19,229</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CRESTLINE, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY**

**A. The City**

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

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

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

**B. Reporting Entity**

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. There were no component units of the City of Crestline in 2004.

The City of Crestline participates in the Ohio Government Risk Management Plan, an insurance purchasing pool. This organization is presented in Note 18 to the basic financial statements.

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

**CITY OF CRESTLINE, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

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

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

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

*Fund Financial Statements* - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**B. Fund Accounting**

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. For the City, there are three categories of funds; governmental, proprietary, and fiduciary.

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

*General Fund* - The General Fund accounts for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

**CITY OF CRESTLINE, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

Street Construction and Maintenance Fund - This fund accounts for 92.5 percent of the state gasoline tax and motor vehicle registration fees as well as a portion of municipal income taxes designated for maintenance of streets within the City.

Community Development Block Grant Fund - This fund accounts for community environment improvements.

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

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

**Proprietary Funds** - Proprietary fund reporting focuses on the determination of operating income, change in net assets, financial position, and cash flows.

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

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

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

Ambulance Services Fund - This fund accounts for the ambulance service to residential and commercial users within the City.

**Fiduciary Funds** - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City's private purpose trust fund accounts for resources provided to various organizations which are then generally used to benefit the community. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency fund accounts for mayor's court monies due to third-parties, excluding the City of Crestline.

**C. Measurement Focus**

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

**CITY OF CRESTLINE, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

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

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

**D. Basis of Accounting**

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

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

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

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

**CITY OF CRESTLINE, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

*Deferred Revenues* - Deferred revenues arise when assets are recognized before the revenue recognition criteria has been satisfied.

Property taxes for which there was an enforceable legal claim at December 31, 2004 but were levied to finance 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue.

On governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue.

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

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

**E. Budgetary Process**

All funds, except agency funds, are required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget indicates the projected revenues and expenditures for those funds receiving tax monies. The certificate of estimated resources establishes a limit on the amount City Council may appropriate. The appropriations ordinance is City Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by City Council. The legal level of control has been established by City 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 revenue are identified by the City Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by City Council.

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

**F. Cash and Investments**

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

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

**CITY OF CRESTLINE, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

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

At December 31, 2004, the City had monies invested in nonnegotiable certificates of deposit, federal agency securities, and U.S. government money market mutual funds. Investments are reported at fair value, except for nonnegotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market prices or current share price for mutual funds.

Interest earnings are allocated to City funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the General Fund during 2004 was \$21,642 includes \$20,295 assigned from other City funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2004, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**H. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Restricted assets represent certain resources which are segregated from other resources of the City to comply with various covenants established by bond financing agreements. These assets are generally held in separate accounts of the City or by a trustee. The various covenants place restrictions on the use of these resources, require minimum balances to be maintained in certain accounts, and establish annual amounts to be accumulated for specific purposes.

**I. Capital Assets**

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



**CITY OF CRESTLINE, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

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

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

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

**J. Interfund Receivables/Payables**

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "Interfund Receivables/Payables". Interfund balances are eliminated on the statement of net assets.

**K. Compensated Absences**

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

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

**CITY OF CRESTLINE, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

**L. Accrued Liabilities and Long-Term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. The police and fire pension liability and capital leases are recognized as liabilities on the fund financial statements when due.

**M. Net Assets**

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

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

**N. Fund Balance Reserves**

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

**O. Operating Revenues and Expenses**

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

**P. Interfund Transactions**

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

**CITY OF CRESTLINE, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

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

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The City had no extraordinary or special items in 2004.

**R. Estimates**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Deficit Fund Balance**

At December 31, 2004, the Swimming Pool capital projects fund had deficit fund balance in the amount of \$91,711 resulting from an adjustment to record short-term bond anticipation notes as a fund liability. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**B. Non-Compliance**

1. The following funds had appropriations in excess of estimated resources for the year ended December 31, 2004, in noncompliance with Ohio Revised Code Section 5705.39:

<u>NonMajor Funds</u>	<u>Excess Amount</u>
Police Pension Fund	\$ 25,598
Fire Pension Fund	33,493

**CITY OF CRESTLINE, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

2. The following funds had expenditures in excess of appropriations for the year ended December 31, 2004, in noncompliance with Ohio Revised code Section 5705.41(B):

<u>Major Funds</u>	<u>Excess</u>
General Fund	
Harvest Festival	\$ 39
Sewer	
Disposal	9,731
 <u>NonMajor Funds</u>	
Income Tax Fund	32,652
Mayor's Court Capital Improvement	2,399
Ambulance	7,070
Swimming Pool	
Capital Project Fund	3,621

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and change in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures, and Change in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - for the General Fund, Street Construction and Maintenance and Community Development Block Grant special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

**CITY OF CRESTLINE, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

Adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis are as follows:

	<u>General</u>	<u>Street Construction and Maintenance</u>	<u>Community Development Block Grant</u>
Budget basis	\$ 3,708	\$ 1,346	\$ (2,085)
Net adjustment for revenue accruals	16,888	(6,825)	(6,972)
Net adjustment for expenditure accruals	80,850	(4,046)	(33,767)
Net adjustment for other financing sources (uses)	(66,850)	(1,000)	-
Adjustment for encumbrances	<u>15,037</u>	<u>15,729</u>	<u>39,015</u>
GAAP basis	<u>\$ 49,633</u>	<u>\$ 5,204</u>	<u>\$ (3,809)</u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the City Treasurer 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.

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

1. United States Treasury bills, bonds, notes, 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 obligation or security 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;

**CITY OF CRESTLINE, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)**

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State as to which there is no default of principal, interest, or coupons; and
3. Obligations of the City.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the City Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

***Cash in Hand:*** At year-end, the City had \$800 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

***Deposits:*** At year-end, the carrying amount of the City's deposits was \$1,311,246. The bank balance was \$1,346,861, of which \$304,876 was covered by the federal deposit insurance and \$1,041,985 was uninsured and uncollateralized. Both amounts include cash with fiscal agent and cash in segregated accounts. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC. The City also had a deposit with Raymond James Financial Services, in the amount of \$3,507, which was covered by the Securities Investor Protection Corporation.

**CITY OF CRESTLINE, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)**

**Investments:** The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. Category 1 includes investments that are insured or registered for which the securities are held by the City or the City's agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. U.S. government money market mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	<u>Category 3</u>	<u>Fair Value</u>
Federal agency securities	\$ 973,347	\$ 973,347
U.S. government money market mutual funds	-	<u>3,507</u>
Total investments	<u>\$ 973,347</u>	<u>\$ 976,854</u>

The classification of cash and cash equivalents and investments on the financial statements is based on the criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 2,288,900	\$ -
Cash on hand	(800)	-
Investments:		
Federal agency securities	(973,347)	973,347
U.S. government money market mutual funds	<u>(3,507)</u>	<u>3,507</u>
GASB Statement No. 3	<u>\$ 1,311,246</u>	<u>\$ 976,854</u>

**NOTE 6 - RECEIVABLES**

Receivables at December 31, 2004, consisted of accounts (billings for user charged services, including unbilled utility services); accrued interest; intergovernmental receivables arising from grants, entitlements, and shared revenues; municipal income taxes; other local taxes; interfund; property taxes, and notes.

Notes receivable represent low interest loans for development projects granted to eligible City businesses under the Federal Community Development Block Grant program. The notes have an annual interest rate of 5 percent and are repaid over periods ranging from 7 to 10 years. Notes receivable, in the amount of \$12,011, will not be received within one year.

**CITY OF CRESTLINE, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 6 - RECEIVABLES - (Continued)**

A summary of the intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
<u>Major Funds</u>	
General Fund	
Homestead and Rollback	\$ 10,526
Local Government	92,135
Local Government Revenue Assistance	<u>17,499</u>
Total General Fund	<u>120,160</u>
Street Construction and Maintenance	
Gasoline Tax	51,951
Motor Vehicle and License Tax	<u>18,739</u>
Total Street Construction and Maintenance	<u>70,690</u>
Total Major Funds	<u>190,850</u>
<u>Nonmajor Funds</u>	
State Highway	
Gasoline Tax	4,212
Motor Vehicle License Tax	<u>1,519</u>
Total State Highway	<u>5,731</u>
Permissive Tax	
Permissive Tax	<u>21,390</u>
Police Pension	
Homestead and Rollback	<u>931</u>
Fire Pension	
Homestead and Rollback	<u>931</u>
Swimming Pool Bond Retirement	
Homestead and Rollback	<u>5,562</u>
City Hall Bond Retirement	
Homestead and Rollback	<u>4,682</u>
Total Nonmajor Funds	<u>39,227</u>
Total	<u>\$ 230,077</u>

**NOTE 7 - MUNICIPAL INCOME TAXES**

The City levies and collects an income tax of 2 percent based on all income earned within the City as well as on the income of residents earned outside the City. In the latter case, the City allows a credit of 75 percent of the tax paid to another municipality. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. The City's income tax is distributed to the General Fund, Street Construction and Maintenance special revenue fund, and Capital Improvements capital projects fund.



**CITY OF CRESTLINE, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 8 - PROPERTY TAXES**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the City. Real property tax revenues received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2004 represent the collection of 2003 taxes. Public utility real and tangible personal property taxes received in 2003 became a lien on December 31, 2002, were levied after October 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in 2004 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Crestline. The County Auditor periodically remits to the City its portion of the taxes collected.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2004, and for which there was an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2004 operations.

Collectible delinquent real property taxes have been recorded as a receivable and revenue on the full accrual basis. On the modified accrual basis, the revenue is deferred.

The full tax rate for all City operations for the year ended December 31, 2004, was \$7.20 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property	\$ 43,738,410
Public Utility Property	2,151,540
Tangible Personal Property	<u>4,243,542</u>
Total	<u><u>\$ 50,133,492</u></u>

**CITY OF CRESTLINE, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2004, was as follows:

<b><u>Governmental Activities:</u></b>	<u>Balance</u> <u>12/31/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/04</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 380,645	\$ -	\$ -	\$ 380,645
Construction in progress	<u>28,761</u>	<u>-</u>	<u>(28,761)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>409,406</u>	<u>-</u>	<u>(28,761)</u>	<u>380,645</u>
<i>Capital assets, being depreciated:</i>				
Buildings	1,730,500	34,863	-	1,765,363
Land improvements	75,266	17,602	-	92,868
Equipment	254,629	6,400	-	261,029
Vehicles	960,503	20,776	-	981,279
Infrastructure:				
Streets	5,167,642	76,604	-	5,244,246
Bridges	<u>56,486</u>	<u>-</u>	<u>-</u>	<u>56,486</u>
Total capital assets, being depreciated	<u>8,245,026</u>	<u>156,245</u>	<u>-</u>	<u>8,401,271</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(662,524)	(33,695)	-	(696,219)
Land improvements	(40,194)	(1,596)	-	(41,790)
Equipment	(133,670)	(14,484)	-	(148,154)
Vehicles	(570,594)	(59,345)	-	(629,939)
Infrastructure:				
Streets	(1,596,326)	(103,068)	-	(1,699,394)
Bridges	<u>(27,120)</u>	<u>(1,130)</u>	<u>-</u>	<u>(28,250)</u>
Total accumulated depreciation	<u>(3,030,428)</u>	<u>(213,318)</u>	<u>-</u>	<u>(3,243,746)</u>
Total capital assets, being depreciated, net	<u>5,214,598</u>	<u>(57,073)</u>	<u>-</u>	<u>5,157,525</u>
Governmental activities capital assets, net	<u>\$ 5,624,004</u>	<u>\$ (57,073)</u>	<u>\$ (28,761)</u>	<u>\$ 5,538,170</u>

**CITY OF CRESTLINE, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 9 - CAPITAL ASSETS - (Continued)**

<b><u>Business-Type Activities:</u></b>	<u>Balance</u> <u>12/31/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/04</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 111,558	\$ -	\$ -	\$ 111,558
Total capital assets, not being depreciated	<u>111,558</u>	<u>-</u>	<u>-</u>	<u>111,558</u>
<i>Capital assets, being depreciated:</i>				
Buildings	2,159,900	-	-	2,159,900
Land improvements	133,000	-	-	133,000
Water, Sewer, and Storm Water Lines	2,026,989	10,551	-	2,037,540
Equipment	4,500,007	18,768	-	4,518,775
Vehicles	<u>477,216</u>	<u>-</u>	<u>-</u>	<u>477,216</u>
Total capital assets, being depreciated	<u>9,297,112</u>	<u>29,319</u>	<u>-</u>	<u>9,326,431</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(652,850)	(43,090)	-	(695,940)
Land improvements	(111,720)	(1,330)	-	(113,050)
Water, Sewer, and Storm Water Lines	(797,990)	(40,751)	-	(838,741)
Equipment	(1,257,162)	(114,981)	-	(1,372,143)
Vehicles	<u>(212,379)</u>	<u>(28,370)</u>	<u>-</u>	<u>(240,749)</u>
Total accumulated depreciation	<u>(3,032,101)</u>	<u>(228,522)</u>	<u>-</u>	<u>(3,260,623)</u>
Total capital assets, being depreciated, net	<u>6,265,011</u>	<u>(199,203)</u>	<u>-</u>	<u>6,065,808</u>
Governmental activities capital assets, net	<u>\$ 6,376,569</u>	<u>\$ (199,203)</u>	<u>\$ -</u>	<u>\$ 6,177,366</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 8,550
Security of persons and property	82,180
Leisure time activity	7,841
Transportation	<u>114,747</u>
Total depreciation expense	<u>\$ 213,318</u>

**CITY OF CRESTLINE, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 10 - INTERFUND TRANSACTIONS**

- A. Due from/to other funds consisted of the following at December 31, 2004, as reported on the fund financial statements:

<u>Due To</u>	<u>Due From</u>
	<u>General</u>
Nonmajor governmental	<u>\$ 2,420</u>

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

- B. Interfund transfers for the year ended December 31, 2004, consisted of the following, as reported in the fund financial statements:

<u>Transfers to</u>	<u>Transfers from</u>			<u>Total</u>
	<u>General</u>	<u>Capital Improvements</u>	<u>Nonmajor governmental</u>	
Nonmajor governmental	\$ 66,850	\$ -	\$ 150,000	\$ 216,850
Ambulance	<u>-</u>	<u>24,152</u>	<u>-</u>	<u>24,152</u>
Total	<u>\$ 66,850</u>	<u>\$ 24,152</u>	<u>\$ 150,000</u>	<u>\$ 241,002</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend 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 revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The transfers during 2004 were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**CITY OF CRESTLINE, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 11 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2004, the City contracted for the following insurance coverage.

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
General Liability		
Each Occurrence	\$1,000,000	\$0
Annual Aggregate	3,000,000	0
Employers Liability	1,000,000	0
Employee Benefits Liability		
Each Occurrence	1,000,000	0
Annual Aggregate	3,000,000	0
Law Enforcement Officers Liability		
Each Occurrence	1,000,000	2,500
Annual Aggregate	3,000,000	2,500
Public Officials Liability		
Each Occurrence	1,000,000	2,500
Annual Aggregate	3,000,000	2,500
Property (building and contents)	12,265,	1,000
Boiler and Machinery	12,210,348	1,000 - 10,000
Inland Marine		
Special Property	474,459	1,000
Electronic Equipment	138,000	500
Automobile Coverage		
Liability	1,000,000	0
Medical Payments	5,000	0

There has been no significant reduction in insurance coverage from 2003, and no insurance settlement has exceeded insurance coverage during the last three years.

For 2004, the City participated in the Ohio Government Risk Management (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

**CITY OF CRESTLINE, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 11 - RISK MANAGEMENT - (Continued)**

The City provides employee health insurance benefits through a partially self-insured program. The City pays claims from the funds from which employee's salaries are paid. The City makes payments based upon actual amounts needed to pay prior and current-year claims. For 2004, the City used E.B.S. of Ohio, Incorporated to process all claims.

Under the City's self-insured program, the City pays claims up to a maximum of \$15,000 per individual. Claims ranging from \$15,000 to \$1,000,000 are paid by Spectrum Underwriting Managers, Inc. Settled claims have not exceeded the stop-loss coverage for the last three years.

Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at December 31, 2004, is estimated by the third party administrator at \$30,000. The changes in the claims liability for 2004 and 2003 were as follows:

	<u>Balance at Beginning of Year</u>	<u>Current Claims</u>	<u>Claims Payment</u>	<u>Balance at End of Year</u>
2004	\$ 32,707	\$ 380,304	\$ (404,847)	\$ 8,164
2003	41,398	305,859	(314,550)	32,707

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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 plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

**CITY OF CRESTLINE, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5% of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1% of their annual covered salary; members in public safety contributed 9%. The City's contribution rate for pension benefits for 2004 was 9.55%, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.7% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$111,116, \$68,145, and \$70,620, respectively; 100% has been contributed for 2003 and 2002. 99% has been contributed for 2004 with the remainder being reported as a liability. The City and plan members did not make any contributions to the member-directed plan for 2004.

**B. Ohio Police and Fire Pension Fund**

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

Plan members are required to contribute 10.0% of their annual covered salary to fund pension obligations while the City is required to contribute 11.75% for police officers and 16.25% for firefighters. Contributions are authorized by State statute. The City's contributions to OP&F for the police and firefighters were \$146,422 for the year ended December 31, 2004, \$91,314 for the year ended December 31, 2003, and \$88,278 for the year ended December 31, 2002. The full amount has been contributed for 2003 and 2002. 80% and 85%, respectively, have been contributed for 2004 with the remainder being reported as a liability.

**NOTE 13 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55% of covered payroll (16.70% for public safety and law enforcement); 4.00% of covered payroll was the portion that was used to fund health care.

**CITY OF CRESTLINE, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 13 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase 4.00% annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$32,802. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003 (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

**B. Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement 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. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.



**CITY OF CRESTLINE, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 13 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.75% of covered payroll was applied to the postemployment health care program during 2004. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2004 that were used to fund postemployment benefits was \$27,680 for police and \$24,773 for firefighters. The OP&F's total health care expense for the year ended December 31, 2003 (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003 (the latest information available), was 13,662 for police and 10,474 for firefighters.

**NOTE 14 - COMPENSATED ABSENCES**

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

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

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

**CITY OF CRESTLINE, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 15 - NOTES PAYABLE**

The City's note transactions for the year ended December 31, 2004, were as follows:

	Interest	Balance			Balance
	<u>Rate</u>	<u>12/31/03</u>	<u>Additions</u>	<u>Retirements</u>	<u>12/31/04</u>
<b>Governmental Activities</b>					
General Obligation Bond Anticipation Notes					
Capital Projects Fund					
2003 Swimming Pool Note	2.00%	\$ 210,000	\$ -	\$ (210,000)	\$ -
2004 Swimming Pool Note	2.80%	<u>-</u>	<u>150,000</u>	<u>-</u>	<u>150,000</u>
Total Governmental Activities		<u>\$ 210,000</u>	<u>\$ 150,000</u>	<u>\$ (210,000)</u>	<u>\$ 150,000</u>

According to Ohio law, notes can be issued in anticipation of bond proceeds and levies or for up to 50 percent of anticipated revenue collections. The liability for all notes is presented in the fund receiving the proceeds.

All of the City's bond anticipation notes are backed by the full faith and credit of the City of Crestline and have a maturity of one year. The swimming pool notes were issued for improving the swimming pool facility by reconstructing and renovating the pool and bathhouse, installing a new filter system, and improving the site. The sewer improvement notes were 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.

**CITY OF CRESTLINE, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 16 - LONG-TERM OBLIGATIONS**

The City's long-term obligations activity for the year ended December 31, 2004, was as follows:

	<u>Interest</u> <u>Rate</u>	<u>Principal</u> <u>Outstanding</u> <u>12/31/03</u>	<u>Issued</u>	<u>Retired</u>	<u>Principal</u> <u>Outstanding</u> <u>12/31/04</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
<u>Governmental Activities</u>						
General Obligation Bonds						
1992 City Hall Bonds	5.88%	\$ 390,000	\$ -	\$ (65,000)	\$ 325,000	\$ 65,000
Other Long-Term Obligations						
Capital leases payable		148,714	-	(33,985)	114,729	36,031
Police and fire pension liability		115,819	-	(1,806)	114,013	1,885
Compensated absences payable		<u>85,103</u>	<u>21,344</u>	<u>(35,276)</u>	<u>71,171</u>	<u>47,678</u>
Total other long-term obligations		<u>349,636</u>	<u>21,344</u>	<u>(71,067)</u>	<u>299,913</u>	<u>85,594</u>
Total governmental long-term liabilities		<u>\$ 739,636</u>	<u>\$ 21,344</u>	<u>\$ (136,067)</u>	<u>\$ 624,913</u>	<u>\$ 150,594</u>
<u>Business-Type Activities</u>						
Mortgage Revenue Bonds						
1996 Water Bonds		985,000	-	(100,000)	885,000	105,000
OPWC loans		466,916	-	-	466,916	-
Bond Anticipation Notes		996,000	936,000	(996,000)	936,000	936,000
Other Long-Term Obligations						
Capital leases payable		83,652	-	(19,116)	64,536	20,267
Compensated absences payable		<u>25,321</u>	<u>21,586</u>	<u>(22,935)</u>	<u>23,972</u>	<u>21,977</u>
Total other long-term obligations		<u>108,973</u>	<u>21,586</u>	<u>(42,051)</u>	<u>88,508</u>	<u>42,244</u>
Total business-type long-term liabilities		<u>\$ 2,556,889</u>	<u>\$957,586</u>	<u>\$(1,138,051)</u>	<u>\$ 2,376,424</u>	<u>\$ 1,083,244</u>

General Obligation Bonds

The City Hall Bonds were issued for constructing, furnishing, and equipping new facilities to house municipal operations, including the police and fire departments. The bonds pledge the full faith and credit and taxing ability of the City. As of December 31, 2004, the balance of unpaid principal was \$325,000, with future annual principal payments of \$65,000 through 2009.

Mortgage Revenue Bonds

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

Fund assets, whose use are restricted under the bond indenture, are presented as restricted assets on the statement of fund net assets. At December 31, 2004, restricted assets relating to the 1996 water mortgage revenue bonds were as follows:

**CITY OF CRESTLINE, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 16 - LONG-TERM OBLIGATIONS - (Continued)**

Restricted Assets Held by the City	
Renewal and Replacement	\$ 60,000
Future Debt Service	15,000
Restricted Assets Held by the Trustees	
Current Debt Service	168,716

Water Mortgage Revenue Bonds

The Water Mortgage Revenue Bonds were issued in 1996 to finance improvements to the water system. Payment of the bonds is secured by a pledge of the net revenues of the Water enterprise fund. As of December 31, 2004, the balance of unpaid principal was \$885,000, with future annual payments ranging from \$100,000 to \$150,000 through 2011.

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

<u>Redemption Dates</u>	<u>Redemption Price</u>
December 1, 2006 through November 30, 2007	102 percent
December 1, 2007 through November 30, 2008	101 percent
December 1, 2008 and thereafter	100 percent

Capital Leases Payable

Capital lease obligations will be paid from the fund that maintains custody of the related assets.

Police and Fire Pension Liability

The City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and fire personnel in 1967. The liability is payable semiannually from the Police Pension and Fire Pension special revenue funds.

Compensated Absences Payable

The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund, Street Construction and Maintenance special revenue fund, and the Water, Sewer, and Ambulance enterprise funds.

OPWC Loans

OPWC loans consist of money owed to the Ohio Public Works Commission for the replacement of the West Side Storm Sewer and upgrades to the City's wastewater treatment plant. The loans are interest free. OPWC loans are payable solely from the gross revenues of the Sewer enterprise fund. As of December 31, 2004, the project was not completed and the loan was not finalized, therefore, a final amortization schedule is not presented.

The upgrades funded by the OPWC loans have not been completed. An amortization schedule for repayment of the loans will not be available until the projects are completed and, therefore, are not included in the following schedules.

At December 31, 2004, the City's voted legal debt margin and unvoted legal debt margin was \$5,145,112 and \$2,432,342, respectively.

**CITY OF CRESTLINE, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 16 - LONG-TERM OBLIGATIONS – (Continued)**

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

Fiscal Year Ending December 31,	Governmental Activities					
	G. O. Bonds			Police and Fire Pension		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 65,000	\$ 19,094	\$ 84,094	\$ 1,884	\$ 4,826	\$ 6,710
2006	65,000	15,275	80,275	1,965	4,745	6,710
2007	65,000	11,465	76,465	2,049	4,660	6,709
2008	65,000	7,638	72,638	2,137	4,572	6,709
2009	65,000	3,819	68,819	2,229	4,481	6,710
2010 - 2014	-	-	-	12,667	20,883	33,550
2015 - 2019	-	-	-	15,631	17,919	33,550
2020 - 2024	-	-	-	19,290	14,260	33,550
2025 - 2029	-	-	-	23,805	9,745	33,550
2030 - 2034	-	-	-	29,374	4,176	33,550
2035	-	-	-	2,982	63	3,045
<b>Total</b>	<b>\$ 325,000</b>	<b>\$ 57,291</b>	<b>\$ 382,291</b>	<b>\$ 114,013</b>	<b>\$ 90,330</b>	<b>\$ 204,343</b>

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

Fiscal Year Ending December 31,	Business-Type Activities		
	Mortgage Revenue Bonds		
	Principal	Interest	Total
2005	\$ 105,000	\$ 49,755	\$ 154,755
2006	115,000	44,190	159,190
2007	120,000	37,980	157,980
2008	125,000	31,380	156,380
2009	130,000	24,380	154,380
2010	140,000	16,970	156,970
2011	150,000	8,850	158,850
<b>Total</b>	<b>\$ 885,000</b>	<b>\$ 213,505</b>	<b>\$ 1,098,505</b>

**NOTE 17 - CAPITAL LEASES - LESSEE DISCLOSURE**

The City has entered into capitalized leases for 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. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balance for the governmental funds and as a reduction of the liability in the enterprise funds.

Principal payments in 2004 were \$33,985 for governmental funds and \$19,116 for the enterprise funds.

	Governmental Activities	Business-Type Activities
Property under capital lease	\$ 299,944	\$ 169,187
Less: accumulated depreciation	<u>(79,994)</u>	<u>(45,116)</u>
<b>Total</b>	<b><u>\$ 219,950</u></b>	<b><u>\$ 124,071</u></b>

**CITY OF CRESTLINE, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 17 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)**

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2004.

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 36,031	\$ 6,907	\$ 20,267	\$ 3,885
2006	38,199	4,738	21,487	2,665
2007	<u>40,499</u>	<u>2,438</u>	<u>22,782</u>	<u>1,370</u>
Total	<u>\$ 114,729</u>	<u>\$14,083</u>	<u>\$ 64,536</u>	<u>\$ 7,920</u>

**NOTE 18 - INSURANCE PURCHASING POOL**

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

**NOTE 19 - CONTINGENCIES**

**A. Litigation**

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

**B. Federal and State Grants**

For the period January 1, 2003, to December 31, 2003, the City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

**NOTE 20 - SUBSEQUENT EVENT**

On March 29, 2005, the City issued bond anticipation notes, in the amount of \$876,000, to retire notes previously issued for sewer improvements. The notes have an interest rate of 3.05 percent and mature on March 28, 2006.

# JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Crestline (the “City”), Crawford County, as of and for the year ended December 31, 2004, which collectively comprise the City’s basic financial statements and have issued our report thereon dated June 16, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the City of Crestline in a separate letter dated June 16, 2005.

Members of Council and Mayor  
City of Crestline

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City 's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2004-COC-001 and 2004-COC-002. We also noted certain immaterial instances of noncompliance that we have reported to the management of the City in a separate letter dated June 16, 2005.

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



Julian & Grube, Inc.  
June 16, 2005



**CITY OF CRESTLINE  
CRAWFORD COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004**

<b>1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2004-COC-001

Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed estimated resources.

It was noted during the audit that the total appropriations exceeded the total estimated resources in the following funds:

NonMajor Funds

Police Pension Fund	\$ 25,598
Fire Pension Fund	33,493

With appropriations exceeding estimated resources the City is appropriating monies that are not in the treasury or in the process of collection that have been certified with the County Auditor. Thus, over appropriating may cause expenditures to increase and cause a deficit fund balance.

We recommend that the City comply with the Ohio Revised Code by keeping more accurate appropriations versus estimated resources records and amending the budget prior to year end. If it is determined that estimated resources will be greater than initially anticipated, the City should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources. In addition, the City should monitor its budgetary process on a regular basis.

*Client Response:* The City Auditor is attempting to prepare modifications to amended certificates throughout the year and certify them to the County Auditor.

**CITY OF CRESTLINE  
CRAWFORD COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004**

<b>1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
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Finding Number	2004-COC-002
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Ohio Revised Code Section 5705.41(B) in part requires that expenditures shall not exceed appropriations.

It was noted during the audit that in the year ended December 31, 2004, the City had expenditures in excess of appropriations in the following line items:

Harvest Festival	\$	39
Sewer Disposal		9,731

NonMajor Funds

Income Tax Fund		32,652
Mayor's Court Capital Improvement		2,399
Ambulance		7,070
Swimming Pool		
Capital Project Fund		3,621

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

We recommend that the City comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the budget prior to year end. This may be achieved by monitoring the budget more closely on a continual basis.

*Client Response:* The City Auditor is attempting to prepare additional appropriation modifications and have them approved by City Council.

**CITY OF CRESTLINE  
CRAWFORD COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected?</u></b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2003-COC-001	Ohio Revised Code Section 5705.10 in part requires that money paid into any fund shall be expended only after such fund receives monies to cover expenditures.	Yes	N/A
2003-COC-002	Ohio Revised Code Section 5705.41(B) in part requires that expenditures shall not exceed appropriations.	No	The City Auditor is attempting to monitor the City's budget more closely.





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**CITY OF CRESTLINE**

**CRAWFORD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 10, 2005**