



Dave Yost • Auditor of State

VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2017	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types For the Year Ended December 31, 2017	6
Notes to the Financial Statements For the Year Ended December 31, 2017	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	19
Schedule of Findings	21
Summary Schedule of Prior Audit Findings (Prepared by Management)	25

THIS PAGE INTENTIONALLY LEFT BLANK



INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Crestline, Crawford County, Ohio (the Village) as of and for the year ended December 31, 2017.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017, and the respective changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Crestline, Crawford County as of December 31, 2017, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matters

As discussed in Note 2 to the financial statements, during 2017, the Village elected to change its financial presentation from a cash basis comparable to the requirements of *Governmental Accounting Standards* to the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). We did not modify our opinion with respect to this matter.

As discussed in Note 3 to the financial statements, the General Fund and Agency Fund balances were restated as of January 1, 2017 due to the Agency fund balance being incorrectly included in the General Fund.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2019, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

March 5, 2019

THIS PAGE INTENTIONALLY LEFT BLANK

Village of Crestline
Crawford County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$131,045	\$63,063	\$0	\$0	\$194,108
Municipal Income Tax	905,834	375,963		44,405	1,326,202
Intergovernmental	145,510	221,721		62,193	429,424
Special Assessments	437	4,953			5,390
Charges for Services	111,163	46,003			157,166
Fines, Licenses and Permits	133,795	3,743		6,091	143,629
Earnings on Investments	20,683	4,396		776	25,855
Donations	4,615				4,615
Miscellaneous	13,247	36,877		572	50,696
<i>Total Cash Receipts</i>	<u>1,466,329</u>	<u>756,719</u>	<u>0</u>	<u>114,037</u>	<u>2,337,085</u>
Cash Disbursements					
Current:					
Security of Persons and Property	43,791	1,165,850			1,209,641
Public Health Services	12,162				12,162
Leisure Time Activities	39,677	70,605			110,282
Transportation		181,281			181,281
General Government	326,103	0			326,103
Capital Outlay	4,632	214,821		70,080	289,533
Debt Service:					
Principal Retirement	4,398	27,285		4,397	36,080
Interest and Fiscal Charges	484	6,140		485	7,109
<i>Total Cash Disbursements</i>	<u>431,247</u>	<u>1,665,982</u>	<u>0</u>	<u>74,962</u>	<u>2,172,191</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,035,082</u>	<u>(909,263)</u>	<u>0</u>	<u>39,075</u>	<u>164,894</u>
Other Financing Receipts (Disbursements)					
Transfers In		975,000		25,000	1,000,000
Transfers Out	(1,000,000)				(1,000,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,000,000)</u>	<u>975,000</u>	<u>0</u>	<u>25,000</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	35,082	65,737	0	64,075	164,894
<i>Fund Cash Balances, January 1 (restated)</i>	<u>422,422</u>	<u>537,670</u>	<u>17,919</u>	<u>(6,284)</u>	<u>971,727</u>
Fund Cash Balances, December 31					
Nonspendable	23				23
Restricted		603,407		57,791	661,198
Committed			17,919		17,919
Unassigned (Deficit)	457,481				457,481
<i>Fund Cash Balances, December 31</i>	<u>\$457,504</u>	<u>\$603,407</u>	<u>\$17,919</u>	<u>\$57,791</u>	<u>\$1,136,621</u>

See accompanying notes to the basic financial statements

Village of Crestline
Crawford County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2017

	Proprietary Fund Type	Fiduciary Fund Types		Totals
	Enterprise	Agency	Private Purpose Trust	(Memorandum Only)
Operating Cash Receipts				
Charges for Services	\$2,202,026	\$0	\$0	\$2,202,026
Miscellaneous	410			410
<i>Total Operating Cash Receipts</i>	<u>2,202,436</u>	<u>0</u>	<u>0</u>	<u>2,202,436</u>
Operating Cash Disbursements				
Personal Services	655,058			655,058
Employee Fringe Benefits	277,508			277,508
Contractual Services	315,461			315,461
Supplies and Materials	115,087			115,087
Other	1,298			1,298
<i>Total Operating Cash Disbursements</i>	<u>1,364,412</u>	<u>0</u>	<u>0</u>	<u>1,364,412</u>
<i>Operating Income (Loss)</i>	<u>838,024</u>	<u>0</u>	<u>0</u>	<u>838,024</u>
Non-Operating Receipts (Disbursements)				
Fines and Forfeitures		112,065		112,065
Special Assessments	508			508
Miscellaneous Receipts	23,025		7,000	30,025
Capital Outlay	(418,092)			(418,092)
Distribution of Fines		(112,928)		(112,928)
Principal Retirement	(271,700)			(271,700)
Interest and Other Fiscal Charges	(30,694)			(30,694)
Other Financing Sources	200			200
Other Financing Uses		(80)	(8,515)	(8,595)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(696,753)</u>	<u>(943)</u>	<u>(1,515)</u>	<u>(699,211)</u>
<i>Net Change in Fund Cash Balances</i>	141,271	(943)	(1,515)	138,813
<i>Fund Cash Balances, January 1 (restated)</i>	<u>1,998,584</u>	<u>1,318</u>	<u>14,805</u>	<u>2,014,707</u>
<i>Fund Cash Balances, December 31</i>	<u>\$2,139,855</u>	<u>\$375</u>	<u>\$13,290</u>	<u>\$2,153,520</u>

See accompanying notes to the basic financial statements

Village of Crestline, Ohio
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of Crestline (the Village), Crawford County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village is divided into various departments and financial management and control systems. Services provided include police protection, fire protection, street construction and maintenance, parks and recreation and water, sewer and ambulance services as well as a staff to provide support (i.e., payroll processing, accounts payable, and receipt collection) to the service providers. The operation and control of these activities is provided by the Village Council through the budgetary process and by the Mayor through administrative and managerial requirements and procedures.

For financial reporting purposes, the Village's basic financial statements include all funds, agencies, boards, commissions, and departments for which the Village is financially accountable. Financial accountability exists if the Village appoints a voting majority of an organization's governing board and is either able to impose its will on that organizations or there is potential for the organizations to provide specific financial benefits to, or impose specific burdens on, the Village. The Village may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed governing board that is fiscally dependent on the Village. The Village also took into consideration other organizations for which the nature and significance of their relationship with the Village are such that exclusion would cause the Village's basic financial statements to be misleading or incomplete. Based upon the application of these criteria, the Village has one component unit which is described below.

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

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

Village of Crestline, Ohio
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

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

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

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

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

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

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

Village of Crestline, Ohio
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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

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

Basis of Accounting

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

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

Budgetary Process

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

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

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

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

A summary of 2017 budgetary activity appears in Note 4.

Village of Crestline, Ohio
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Deposits and Investments

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

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

Village of Crestline, Ohio
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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

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

Note 3 – Restatement of Fund Balances

The General Fund and Agency Fund balances were restated as of January 1, 2017 due to the Mayor’s Court being included in the General Fund in the prior year financial statements. The effect of the restatement is noted below:

General Fund Balance, December 31, 2016	\$ 423,740	
Mayors Court Balance, December 31, 2016 should have been included as an Agency Fund	(1,318)	
Restated Beginning Balance, January 1, 2017	<u>\$ 422,422</u>	
Agency Fund Balance, December 31, 2016	\$ -	
Mayors Court Balance, December 31, 2016 should have been included as an Agency Fund	1,318	
Restated Beginning Balance, January 1, 2017	<u>\$ 1,318</u>	

Village of Crestline, Ohio
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 4 - Budgetary Activity

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,335,925	\$1,466,329	\$130,404
Special Revenue	3,099,714	1,731,719	(1,367,995)
Debt Service	0	0	0
Capital Projects	176,170	139,037	(37,133)
Enterprise	2,303,451	2,226,169	(77,282)
Private - Purpose Trust Fund	7,000	7,000	0
Total	\$6,922,260	\$5,570,254	(\$1,352,006)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,478,331	\$1,432,446	\$45,885
Special Revenue	1,793,522	1,672,065	121,457
Debt Service	15,000	0	15,000
Capital Projects	123,500	74,962	48,538
Enterprise	2,617,516	2,108,187	509,329
Private - Purpose Trust Fund	13,000	8,515	4,485
Total	\$6,040,869	\$5,296,175	\$744,694

Note 5 – Deposits and Investments

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

	2017
Demand deposits	\$2,269,032
Certificates of deposits	1,000,000
Cash in Segregated Accounts	20,109
Total deposits	3,289,141
Petty Cash	1,000
Total deposits	\$3,290,141

Village of Crestline, Ohio
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 5 – Deposits and Investments (Continued)

Deposits

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

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

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

At year end the Village had \$20,109 deposited with financial institutions for monies related to the Mayor's Court, police auxiliary, Drug Abuse Resistance Education, and the police food account.

Investments

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

Note 6 – Taxes

Property Taxes

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

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

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

Income Taxes

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

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

Village of Crestline, Ohio
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 7 - Risk Management

Risk Pool Membership

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

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016 (latest information available).

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

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

Village of Crestline, Ohio
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 7 - Risk Management (Continued)

Employee Health Benefits

The Village provides employees with medical, dental, life, and vision insurance. As of December 31, 2017, medical insurance is provided by Anthem and dental, life, and vision insurance is provided by Guardian. The Village currently pays 90% of the premiums for medical insurance and 100% of the premiums for dental and life insurance. Vision insurance is optional, so the entire premium is to be paid by the employee. The risk of loss transfers entirely to the insurance carriers.

There has been no significant reduction in insurance coverage from 2016 and no insurance settlement has exceeded insurance coverage during the last four years.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Ohio Police and Fire Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. The Village has paid all contributions required through December 31, 2017.

Social Security

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

This employee contributed 6.2 percent of their gross salary. The Village contributed an amount equal to 6.2 percent of participant's gross salary. The Village has paid all contributions required through December 31, 2017.

Village of Crestline, Ohio
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 9 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loans	\$910,982	0%
Ohio Water Development Authority Loans	\$1,144,301	1%
United Bank - Sewer Improvement Bond Series 2012	\$218,400	3.75%
Lease Purchase agreement - KS Statebank - Boiler Replacement	\$9,267	0.00%
Lease Purchase agreement - TCF Equipment Finance	\$50,824	3.35%
Lease Purchase agreement - TCF Equipment Finance	\$196,251	3.41%
Police Pension Accrued Liability	\$47,965	2.13%
Fire Pension Accrued Liability	\$34,135	2.13%
Total	<u>\$2,612,125</u>	

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

The Village has pledged future sewer fund receipts to repay Ohio Water Development Authority (OWDA) loans. The loans are payable solely from sewer fund receipts and are payable through 2036. The OWDA loans are for the Bibich Ct. and Patterson St. sanitary sewer, sanitary sewer improvements phase I, WWTP improvements, and sewer separation phase II. The total principal remaining to be paid on the loans is \$1,144,301. The Village is currently making semiannual installments toward the principal and interest on these loans. Principal and interest paid for the current year was \$75,952.

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

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

Village of Crestline, Ohio
Crawford County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 10 – Debt (Continued)

In prior years, the Village entered into lease purchase agreements for a snow plow/dump truck, two boilers, and a Vac-Con truck. These leases meet the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as on which transfers benefits and risks of ownership to the lessee. Principal payments in 2017 included \$45,026 made on the Vac-Con truck from the water and sewer enterprise funds, \$24,165 made on the snow plow/dump truck from the street fund, and \$8,795 on the boiler replacement made from the capital improvement fund and general fund.

Amortization

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

Year Ending December 31:	Leases	OWDA Loans	OPWC Loans	Sewer Improvement Bond Series 2012	Police & Fire Pension Liability
2018	\$89,864	\$74,838	\$59,637	\$113,374	\$6,710
2019	80,100	74,838	59,637	113,279	6,710
2020	53,384	71,559	59,637		6,710
2021	53,384	71,559	59,637		6,710
2022		71,559	59,637		6,710
2023-2027		357,796	248,504		33,548
2028-2032		357,796	163,255		33,020
2033-2037		169,564	122,412		16,472
2038-2042			49,459		
2043-2047			29,167		
Total	<u>\$276,732</u>	<u>\$1,249,509</u>	<u>\$910,982</u>	<u>\$226,653</u>	<u>\$116,590</u>

THIS PAGE INTENTIONALLY LEFT BLANK

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Crestline, Crawford County, (the Village) as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated March 5, 2019 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the Village elected to change its financial presentation from a cash basis comparable to the requirements of *Governmental Accounting Standards* to the accounting basis permitted by the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. In addition, the General Fund and Agency Fund balances were restated as of January 1, 2017.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-001 through 2017-003 to be material weaknesses.

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370
www.ohioauditor.gov

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-003.

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

March 5, 2019

VILLAGE OF CRESTLINE
CRAWFORD COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017

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

FINDING NUMBER 2017-001

Financial Statement Presentation – Material Weakness

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

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

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

- The Village posted \$22,513 and \$4,179 as Capital Outlay rather than Principal and Interest, respectively in the Sewer Enterprise Fund.
- The Village posted \$22,513 and \$4,179 as Capital Outlay rather than Principal and Interest, respectively in the Water Enterprise Fund.
- The Village posted \$2,441 as Capital Outlay in the Sewer Fund. This amount should have been posted to the General Fund as Principal and Interest in the amounts of \$2,199 and \$242, respectively.
- The Village posted \$2,441 as Capital Outlay in the Water Fund. This amount should have been posted to the General Fund as Principal and Interest in the amounts of \$2,199 and \$242, respectively.
- The Village posted \$4,397 and \$485 as Capital Outlay rather than Principal and Interest, respectively in the Capital Improvement Fund.
- The Village posted \$24,165 of Principal payments as Interest in the Street Special Revenue Fund.
- The Village posted \$1,823 and \$2,097 as Security of Persons and Property rather than Principal and Interest, respectively in the Police Fund.
- The Village posted \$1,297 and \$1,492 as Security of Persons and Property rather than Principal and Interest, respectively in the Fire Fund.
- The Village posted \$60,243 as Restricted Fund Balance rather than Committed Fund Balance in the Capital Improvement Fund.
- The Village did not post prior year adjustments to their books. A beginning fund balance adjustment was made to decrease the General Fund Balance by \$3,976 and increase the fund balance in the Police Pension fund and the Fire Pension Fund in the amount of \$1,988 each. A beginning fund balance adjustment was also made between the Water and Sewer Funds in the amount of \$565.
- A beginning fund balance adjustment was made to account for the unclaimed funds in the General Fund rather than the Agency fund in the amount of \$23. The fund balance was included on the financial statements as Nonspendable Fund Balance.
- A beginning fund balance adjustment was made to account for the segregated bank accounts that were included on the prior year financial statements. The General Fund beginning balance was increased by \$13,845.

VILLAGE OF CRESTLINE
CRAWFORD COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2017-001 (Continued)

Financial Statement Presentation – Material Weakness (Continued)

- The Village classified the Water Treatment Capital Projects fund as a Capital Projects Fund rather than an Enterprise Fund. The beginning fund balance of \$3,849 was moved from the Capital Projects fund to the Enterprise fund.
- The Village posted the activity from the Swimming Pool fund as an Enterprise fund rather than a Special Revenue fund. To be consistent with prior years the activity was moved from the Enterprise Fund to the Special Revenue fund. This resulted in adjustments in the amounts of \$70,605 to Leisure Time Activities, \$500 to Capital Outlay, \$43,519 to Charges for Services, \$2,081 to Miscellaneous Revenue and \$20,000 to Transfers-In. Also \$18,553 of Beginning Fund Balance was moved from the Enterprise Fund to the Special Revenue Fund for the Swimming Pool Fund.
- A Beginning Fund Balance adjustment in the amount of \$60,000 and 15,000 was made to move the Replacement and Improvement Fund and Water Reserve Debt Service Fund, respectively, from the Bond Retirement Fund to the Enterprise fund consistent with prior year reporting.
- The Village did not post the activity in the Police Auxiliary segregated account. An adjustment to Donations in the amount of \$4,615 and \$459 to Security of Persons & Property were made in the General Fund.
- A beginning fund balance adjustment was made to the Special Revenue fund to bring on the prior year DARE segregated account balance of \$2,946.
- The Village did not post the activity in the DARE segregated account. An adjustment to Miscellaneous Revenue in the amount of \$117 and \$12 to Miscellaneous Expense were made to the Special Revenue Fund.
- A \$500 beginning fund balance adjustment was made to decrease the General Fund and increase the Capital Improvements Fund to agree to the prior year report. Additionally, a \$500 adjustment was made to increase Intergovernmental Revenue in the General Fund and decrease Intergovernmental Revenue in the Capital Improvements Fund for a 2016 receipt that was receipted into the Capital Improvements Fund but should have been the General Fund.

These amounts were adjusted to the Village's accounting system and financial statements.

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

Additionally, errors were noted in the Village's notes to the financial statements. The Risk Management note did not include the disclosures for the Ohio Risk Management Plan, the cash note was incorrect, a restatement note was added, and the debt note did not include amortization table for the outstanding debt. In addition, a jointly governed organization note was included; however, the Village does not have any jointly governed organizations. Without accurate and complete notes to the financial statements, the Village is at risk of omitting information important to understanding the financial position of the Village.

VILLAGE OF CRESTLINE
CRAWFORD COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017
(Continued)

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

Financial Statement Presentation – Material Weakness (Continued)

The Village should review the Village Officer's Handbook and exercise due care when posting transactions to help ensure receipts are posted to the correct fund and account. Additionally, the Village

Council should review monthly receipt and expenditure activity reports to help ensure transactions are properly accounted for and classified. This will help more accurately reflect the Village's financial activity and will aid in more accurate financial reporting.

FINDING NUMBER 2017-002

Mayor's Court Agency Fund – Material Weakness

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

In 2017, the Village did not accurately record the activity for the Mayor's Court on the Village's accounting records or financial statements. The Mayor's Court records are kept separate from the Village's books, and each month a check is written to the Village for its portion of the fines and fees and the State is paid for its portion of the fines and fees. Because the records are maintained separately and the Village did not have controls in place to ensure all of the Mayor's account activity is accurately reported on the Village's accounting records or financial statements, the Village's financial statements were misstated.

For 2017, Distribution of Fines (Non-Operating Disbursements), Fines & Forfeitures (Non-Operating Revenues) and Other Financing Sources were understated by \$112,928, \$112,065 and \$80, respectively.

Additionally, a beginning fund balance adjustment was made to move the beginning fund balance of \$1,318 for the Mayor's Court from the General Fund to the Agency Fund.

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

VILLAGE OF CRESTLINE
CRAWFORD COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2017-003

Material Noncompliance/Material Weakness

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

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

On the Village’s accounting system the Village maintains a separate fund for the purpose of administrating the income tax collected in accordance with Ordinance 2634. However, the Income Tax Fund does not have constraints imposed on its resources and cannot be reported as a special revenue fund on the Village’s financial statements. Therefore, audit adjustments had to be made to report \$763,768, \$44,405, \$79,929 and \$296,034 of income tax receipts as municipal income tax rather than transfers in within the General Fund, Capital Improvement Fund, Street Fund, and Police Fund, respectively, and to eliminate the related activity in the Income Tax Special Revenue Fund. In addition all remaining activity within the Income Tax Special Revenue Fund was adjusted to be reported in the General Fund on the financial statements. These amounts included Municipal Income Tax of \$142,066, Charges for Services of \$30, Miscellaneous Revenue of \$1,271, General Government expenditures of \$119,760 and the beginning fund balance of \$91,961.

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

Officials’ Response: We did not receive a response from officials to the findings reported above.



Village of Crestline
100 N. Seltzer St., Crestline, Ohio 44827
Ph.: 419-683-3800 Fax: 419-683-4205
www.crestlineoh.com

Joy Miley
Mayor

John Rostash
Village Administrator

Sherry Winch
Fiscal Officer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Noncompliance – Negative Cash Balance	Fully Corrected	

This page intentionally left blank.

OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF CRESTLINE

CRAWFORD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 16, 2019**