

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
(AUDITED)

FOR THE YEAR ENDED
DECEMBER 31, 2009

KELLY KURTZMAN, CITY AUDITOR



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Crestline, Crawford County, prepared by Julian & Grube, Inc., for the audit period January 1, 2009 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 27, 2010

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**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Crestline, Crawford County, Ohio, as of and for the year ended December 31, 2009, which collectively comprise the City of Crestline's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Crestline's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Crestline, Crawford County, Ohio, as of December 31, 2009, and the respective changes in financial position and where applicable, cash flows, thereof, and the respective budgetary comparisons for the General fund, and Major Special Revenue Funds: Street Construction, Maintenance and Repair and 2009 CHIP Grant 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 August 30, 2010, on our consideration of the City of Crestline's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Members of Council and Mayor
City of Crestline
Page Two

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

We conducted our audit to opine on the financial statements that collectively comprise the City of Crestline's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the management's discussion and analysis to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

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

Julian & Grube, Inc.
August 30, 2010

CITY OF CRESTLINE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009 (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, 2009. 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 2009 are as follows:

- The total net assets of the City increased \$613,031, net assets of governmental activities increased \$141,147 or 2.03% over 2008 and net assets of business-type activities increased \$471,884 or 8.49% over 2008.
- General revenues accounted for \$1,628,852 of total governmental activities revenue. Program specific revenues accounted for \$1,386,120 or 45.97% of total governmental activities revenue.
- The City had \$2,873,825 in expenses related to governmental activities; \$1,386,120 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$1,628,852.
- The general fund had revenues of \$1,390,646 in 2009. This represents a decrease of \$529,447 from 2008 revenues. The expenditures of the general fund, which totaled \$1,689,887 in 2009, increased \$106,019 from 2008. The fund balance of the general fund decreased \$299,241 from \$465,262 to \$166,021.
- The street construction, maintenance and repair fund had revenues of \$725,063 in 2009. The expenditures of the street construction, maintenance and repair fund totaled \$851,126 in 2009. The fund balance of the street construction, maintenance and repair fund decreased \$126,063 from \$78,057 to a deficit of \$48,006.
- The 2009 CHIP grant fund had revenues of \$334,501 in 2009. The expenditures of the 2009 CHIP grant fund totaled \$348,140 in 2009. The fund balance of the 2009 CHIP grant fund decreased \$13,639.
- The capital improvements fund had revenues of \$224,150 in 2009. The expenditures of the capital improvements fund totaled \$245,049 in 2009. The fund balance of the capital improvements fund decreased \$20,899 from \$455,314 to \$434,415.
- Net assets for the business-type activities, which are made up of the water, sewer, and ambulance services enterprise funds, increased in 2009 by \$471,884.
- In the general fund, the actual revenues came in \$35,300 greater than they were in the final budget and actual expenditures were \$73,300 less than the amount in the final budget.

Using this Annual Financial Report

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

CITY OF CRESTLINE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009 (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 2009?" 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, 2009 (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 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, maintenance and repair fund, 2009 CHIP 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. The City's water and sewer funds are considered major funds, while the ambulance service fund is a nonmajor proprietary fund. The basic proprietary fund financial statements can be found on pages 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 fund 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 34-65 of this report.

CITY OF CRESTLINE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)

Government-Wide Financial Analysis

The table below provides a summary of the City's net assets for 2009 and 2008:

	Net Assets					
	Governmental	Business-type	Governmental	Business-type	2009	2008
	Activities	Activities	Activities	Activities	Total	Total
	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<u>Assets</u>						
Current and other assets	\$ 2,272,342	\$ 1,713,013	\$ 2,561,122	\$ 1,302,083	\$ 3,985,355	\$ 3,863,205
Capital assets, net	<u>5,667,724</u>	<u>6,355,441</u>	<u>5,268,808</u>	<u>6,331,151</u>	<u>12,023,165</u>	<u>11,599,959</u>
Total assets	<u>7,940,066</u>	<u>8,068,454</u>	<u>7,829,930</u>	<u>7,633,234</u>	<u>16,008,520</u>	<u>15,463,164</u>
<u>Liabilities</u>						
Long-term liabilities	286,552	1,851,928	390,696	1,964,058	2,138,480	2,354,754
Other liabilities	<u>565,487</u>	<u>186,764</u>	<u>492,354</u>	<u>111,298</u>	<u>752,251</u>	<u>603,652</u>
Total liabilities	<u>852,039</u>	<u>2,038,692</u>	<u>883,050</u>	<u>2,075,356</u>	<u>2,890,731</u>	<u>2,958,406</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	5,570,505	4,539,367	5,093,023	4,424,699	10,109,872	9,517,722
Restricted	1,032,867	247,277	1,144,947	249,883	1,280,144	1,394,830
Unrestricted	<u>484,655</u>	<u>1,243,118</u>	<u>708,910</u>	<u>883,296</u>	<u>1,727,773</u>	<u>1,592,206</u>
Total net assets	<u>\$ 7,088,027</u>	<u>\$ 6,029,762</u>	<u>\$ 6,946,880</u>	<u>\$ 5,557,878</u>	<u>\$ 13,117,789</u>	<u>\$ 12,504,758</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2009, the City's assets exceeded liabilities by \$13,117,789. At year-end, net assets were \$7,088,027 and \$6,029,762 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 75.10% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles, and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2009, were \$5,570,505 and \$4,539,367 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, \$1,280,144, 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 \$484,655 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, 2009
(UNAUDITED)**

The table below shows the changes in net assets for the years 2009 and 2008.

	Change in Net Assets					
	Governmental	Business-type	Governmental	Business-type	2009	2008
	Activities	Activities	Activities	Activities	Total	Total
	2009	2009	2008	2008		
Revenues						
Program revenues:						
Charges for services	\$ 273,779	\$ 1,816,705	\$ 303,072	\$ 1,793,352	\$ 2,090,484	\$ 2,096,424
Operating grants and contributions	761,803	-	469,184	-	761,803	469,184
Capital grants and contributions	350,538	116,890	-	39,200	467,428	39,200
Total program revenues	1,386,120	1,933,595	772,256	1,832,552	3,319,715	2,604,808
General revenues:						
Property taxes	187,919	-	246,456	-	187,919	246,456
Income taxes	1,071,905	-	1,077,280	-	1,071,905	1,077,280
Unrestricted grants and entitlements	284,161	-	610,416	-	284,161	610,416
Investment earnings	35,144	-	70,887	-	35,144	70,887
Miscellaneous	49,723	19,143	104,481	15,364	68,866	119,845
Total general revenues	1,628,852	19,143	2,109,520	15,364	1,647,995	2,124,884
Total revenues	3,014,972	1,952,738	2,881,776	1,847,916	4,967,710	4,729,692
Expenses:						
General government	365,278	-	329,123	-	365,278	329,123
Security of persons and property	1,331,289	-	1,185,452	-	1,331,289	1,185,452
Transportation	625,941	-	666,791	-	625,941	666,791
Community environment	379,133	-	115,503	-	379,133	115,503
Leisure time activity	158,180	-	154,172	-	158,180	154,172
Interest and fiscal charges	14,004	-	13,736	-	14,004	13,736
Water	-	732,375	-	713,318	732,375	713,318
Sewer	-	668,114	-	694,821	668,114	694,821
Other enterprise	-	80,365	-	158,442	80,365	158,442
Total expenses	2,873,825	1,480,854	2,464,777	1,566,581	4,354,679	4,031,358
Transfers	-	-	(92,714)	92,714	-	-
Change in net assets	141,147	471,884	324,285	374,049	613,031	698,334
Net assets at beginning of year	6,946,880	5,557,878	6,622,595	5,183,829	12,504,758	11,806,424
Net assets at end of year	\$ 7,088,027	\$ 6,029,762	\$ 6,946,880	\$ 5,557,878	\$ 13,117,789	\$ 12,504,758

CITY OF CRESTLINE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)**

Governmental Activities

Governmental activities net assets increased \$141,147 in 2009.

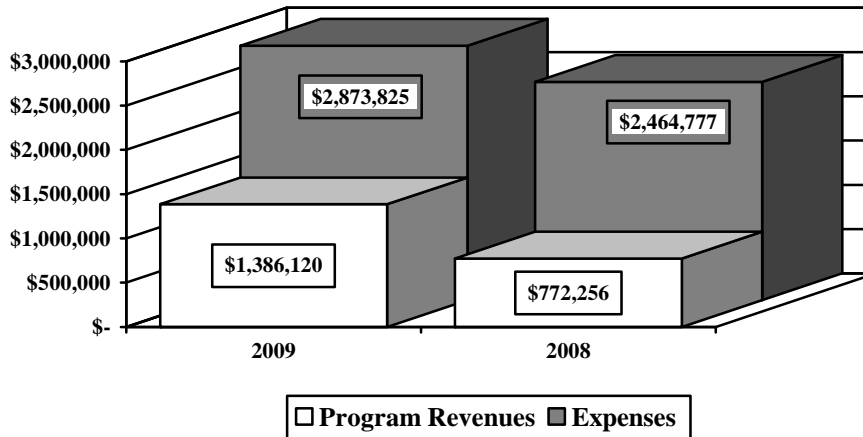
Security of persons and property primarily supports the operations of the police and fire department's expenses, which total \$1,331,289 and account for 46.32% of the total governmental expenses of the City. Security of persons and property expenses were partially funded by direct charges to users of \$64,490. General government expenses totaled \$365,278. General government expenses were partially funded by \$127,376 in direct charges to users of the services. Transportation expenses of \$625,941 were partially funded by \$341,223 in operating grants and contributions and \$350,538 in capital grants and contributions. Community environment expenses of \$379,133 were funded by \$397,153 in operating grants and contributions.

The state and federal government contributed to the City a total of \$761,803 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$341,223 subsidized transportation programs and \$397,153 subsidized community environment activities and \$5,739 subsidized security of persons and property.

General revenues totaled \$1,628,852, and amounted to 54.03% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$1,259,824. 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 \$284,161.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the City is highly dependent upon general revenues (primarily property and income taxes as well as unrestricted grants and entitlements) to support its governmental activities. Program revenues were not sufficient to cover total governmental expenses for 2009.

Governmental Activities - Program Revenues vs. Total Expenses



CITY OF CRESTLINE, OHIO

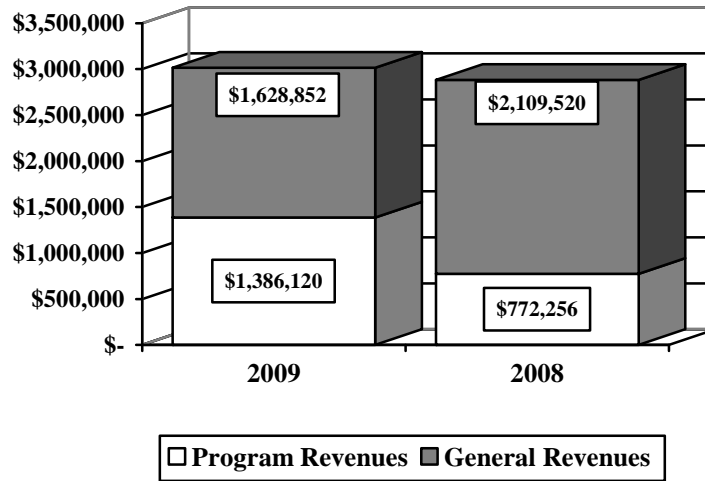
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)**

Governmental Activities

	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>
Program Expenses:				
General government	\$ 365,278	\$ 220,214	\$ 329,123	\$ 254,502
Security of persons and property	1,331,289	1,261,060	1,185,452	1,121,423
Transportation	625,941	(65,820)	666,791	269,023
Community environment	379,133	(22,813)	115,503	(35,474)
Leisure time activity	158,180	81,060	154,172	69,311
Interest and fiscal charges	14,004	14,004	13,736	13,736
Total	\$ 2,873,825	\$ 1,487,705	\$ 2,464,777	\$ 1,692,521

The dependence upon general revenues for governmental activities is apparent, with 51.77% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2009 and 2008.

Governmental Activities - General and Program Revenues

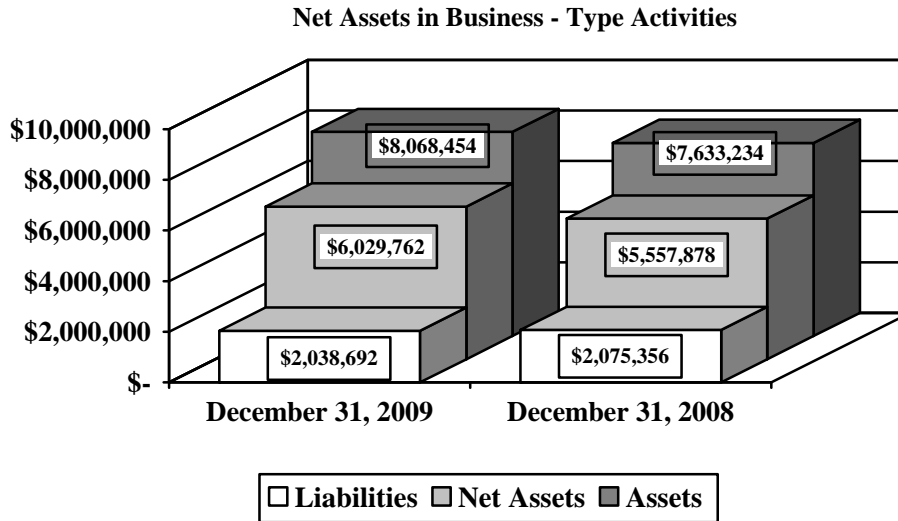


CITY OF CRESTLINE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)

Business-type Activities

Business-type activities include the water, sewer, and ambulance service enterprise funds. These programs had program revenues of \$1,933,595, general revenues of \$19,143 and expenses of \$1,480,854 for 2009. The graph below shows the business-type activities assets, liabilities and net assets at year-end.



Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at year-end. The City's governmental funds (as presented on the balance sheet on pages 20-21) reported a combined fund balance of \$976,718, which is \$429,771 lower than last year's total of \$1,406,489. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2009 for all major and nonmajor governmental funds.

	Fund Balances (deficit) <u>12/31/09</u>	Fund Balances <u>12/31/08</u>	Increase/ (Decrease)
Major funds:			
General	\$ 166,021	\$ 465,262	\$ (299,241)
Street construction, maintenance & repair	(48,006)	78,057	(126,063)
2009 Chip grant	(13,639)	-	(13,639)
Capital improvements	434,415	455,314	(20,899)
Other nonmajor governmental funds	<u>437,927</u>	<u>407,856</u>	<u>30,071</u>
Total	<u>\$ 976,718</u>	<u>\$ 1,406,489</u>	<u>\$ (429,771)</u>

CITY OF CRESTLINE, OHIO

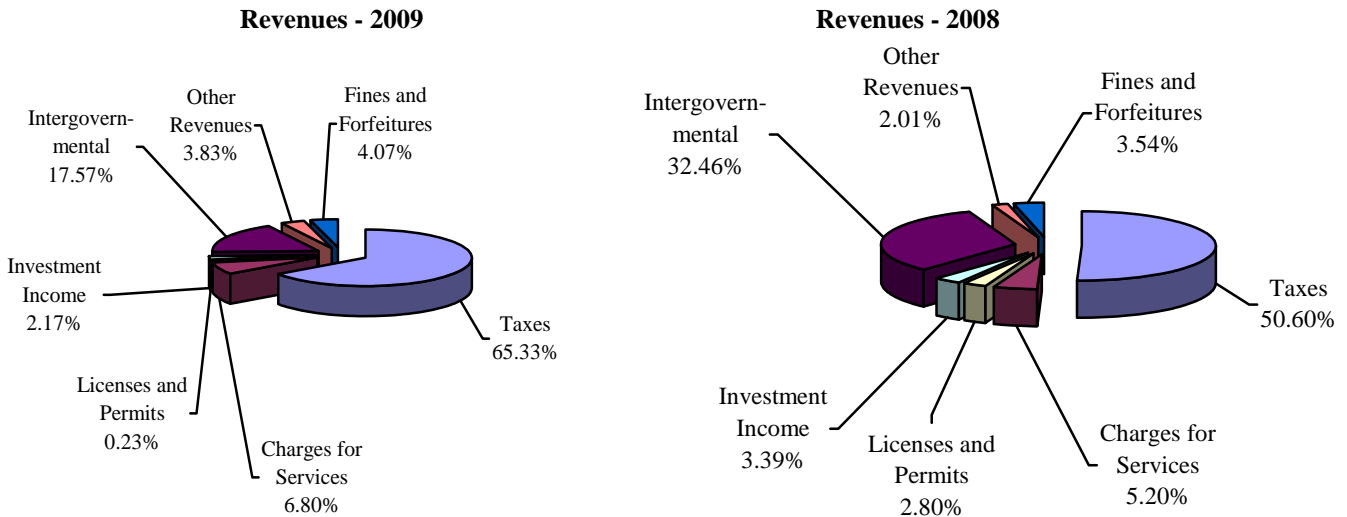
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)**

General Fund

The City's general fund balance decreased \$299,241. The table that follows assists in illustrating the revenues of the general fund.

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Amount</u> <u>Change</u>	<u>Percentage</u> <u>Change</u>
Revenues				
Taxes	\$ 908,544	\$ 971,561	\$ (63,017)	(6.49) %
Charges for services	94,534	99,898	(5,364)	(5.37) %
Licenses and permits	3,245	53,800	(50,555)	(93.97) %
Fines and forfeitures	56,624	67,954	(11,330)	(16.67) %
Investment income	30,198	65,049	(34,851)	(53.58) %
Intergovernmental	244,304	623,311	(379,007)	(60.81) %
Other	<u>53,197</u>	<u>38,520</u>	<u>14,677</u>	38.10 %
Total	<u>\$ 1,390,646</u>	<u>\$ 1,920,093</u>	<u>\$ (529,447)</u>	(27.57) %

Tax revenue represents 65.33% of all general fund revenue. Tax revenue decreased 6.49% from the prior year. Investment income decreased \$34,851 or 53.58% over prior year. This decrease can be attributed to a reduction in cash balances for investing during the year. License and permits decreased \$50,555 as a result of decreased building permit receipts and franchise fees. Intergovernmental revenue decreased \$379,007, primarily due to a significant decrease in estate tax revenue. Other revenues increased \$14,677 or 38.10% as a result of an increase in miscellaneous receipts recorded during the year. All other revenues remained comparable to prior years.



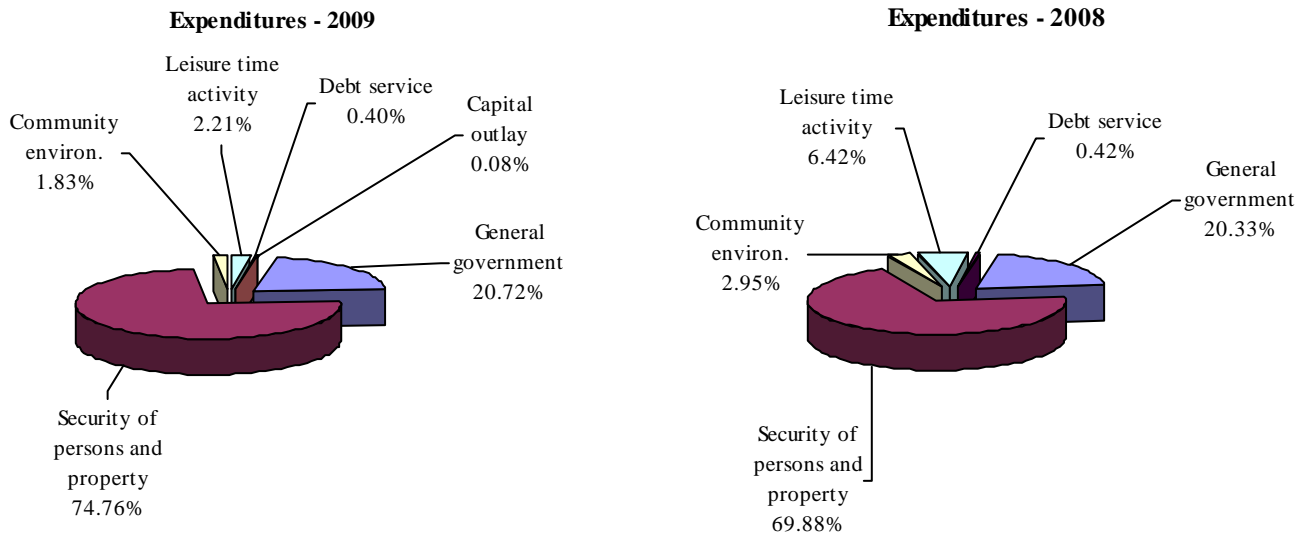
CITY OF CRESTLINE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)**

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

	<u>2009</u>	<u>2008</u>	<u>Amount</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>	<u>Change</u>
<u>Expenditures</u>				
General government	\$ 350,056	\$ 321,954	\$ 28,102	8.73 %
Security of persons and property	1,263,339	1,106,733	156,606	14.15 %
Community environment	30,993	46,721	(15,728)	(33.66) %
Leisure time activity	37,317	101,750	(64,433)	(63.32) %
Capital outlay	1,381	-	1,381	100.00 %
Debt service	6,801	6,710	91	1.36 %
Total	<u>\$ 1,689,887</u>	<u>\$ 1,583,868</u>	<u>\$ 106,019</u>	6.69 %

The City increased total expenditures by 6.69%. The largest expenditure line item, security of persons and property increased compared to 2008. General government expenditures increased 8.73%, which can primarily be attributed to spending for materials & supplies and professional services. Leisure time activity expenditures decreased \$64,433 as a result of a tighter control on spending.



Street Construction, Maintenance & Repair Fund

The street construction, maintenance and repair fund had revenues of \$725,063 in 2009. The expenditures of the street construction, maintenance and repair fund totaled \$851,126 in 2009. The fund balance of the street construction, maintenance and repair fund decreased \$126,063 from \$78,057 to a deficit of \$48,006.

2009 CHIP Grant Fund

The 2009 CHIP grant fund had revenues of \$334,501 in 2009. The expenditures of the 2009 CHIP grant fund totaled \$348,140 in 2009. The fund balance of the 2009 CHIP grant fund was a deficit of \$13,639.

CITY OF CRESTLINE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)

Capital Improvements Fund

The capital improvements fund had revenues of \$224,150 in 2009. The expenditures of the capital improvements fund totaled \$245,049 in 2009. The fund balance of the capital improvements fund decreased \$20,899 from \$455,314 to \$434,415.

Proprietary Funds

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

Budgeting Highlights

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

Budgetary information is presented for the general fund. Actual revenues of \$1,417,253 were more than final budgeted revenues by \$35,792. The original and final budgeted expenditures were \$1,704,642. Actual expenditures came in \$73,300 lower than the final budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of 2009, the City had \$12,023,165 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Of this total, \$5,667,724 was reported in governmental activities and \$6,355,441 was reported in business-type activities. See Note 9 for further description of capital assets. The following table shows 2009 balances compared to 2008:

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

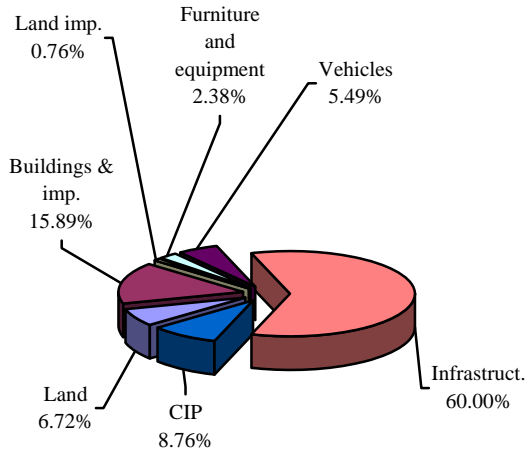
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 380,645	\$ 380,645	\$ 111,558	\$ 111,558	\$ 492,203	\$ 492,203
Construction in progress	496,316	-	-	-	496,316	-
Land improvements	43,098	44,694	13,300	14,630	56,398	59,324
Buildings and improvements	900,669	934,364	1,248,510	1,291,600	2,149,179	2,225,964
Furniture and equipment	135,117	104,865	2,811,908	2,924,296	2,947,025	3,029,161
Vehicles	310,897	285,223	262,843	154,601	573,740	439,824
Infrastructure	3,400,982	3,519,017	-	-	3,400,982	3,519,017
Water and sewer lines	-	-	1,907,322	1,834,466	1,907,322	1,834,466
Totals	<u>\$ 5,667,724</u>	<u>\$ 5,268,808</u>	<u>\$ 6,355,441</u>	<u>\$ 6,331,151</u>	<u>\$ 12,023,165</u>	<u>\$ 11,599,959</u>

CITY OF CRESTLINE, OHIO

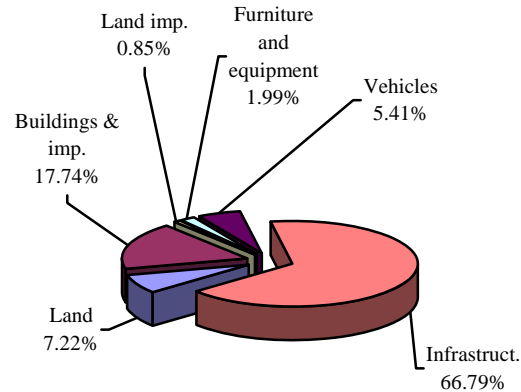
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)**

The following graphs show the breakdown of governmental capital assets by category for 2009 and 2008.

**Capital Assets - Governmental Activities
2009**



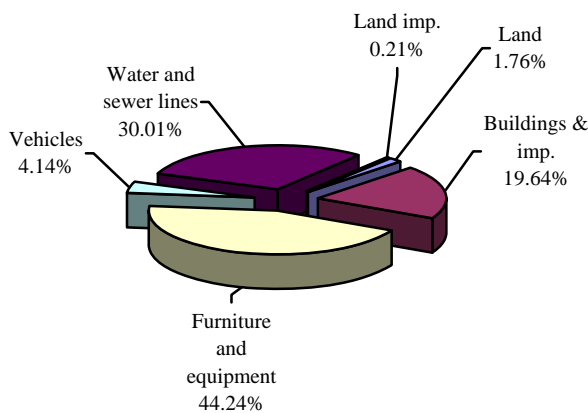
**Capital Assets - Governmental Activities
2008**



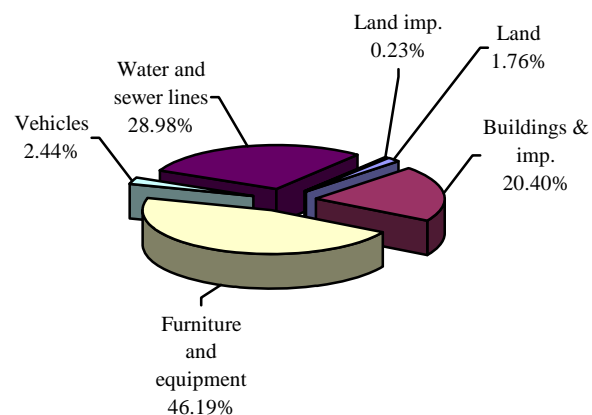
The City's largest capital asset category is infrastructure which includes bridges and streets. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 60.00% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2009 and 2008.

**Capital Assets - Business-Type Activities
2009**



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



The City's second largest business-type capital asset category is water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's water and sewer lines (cost less accumulated depreciation) represents approximately 30.01% of the City's total business-type capital assets.

CITY OF CRESTLINE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)

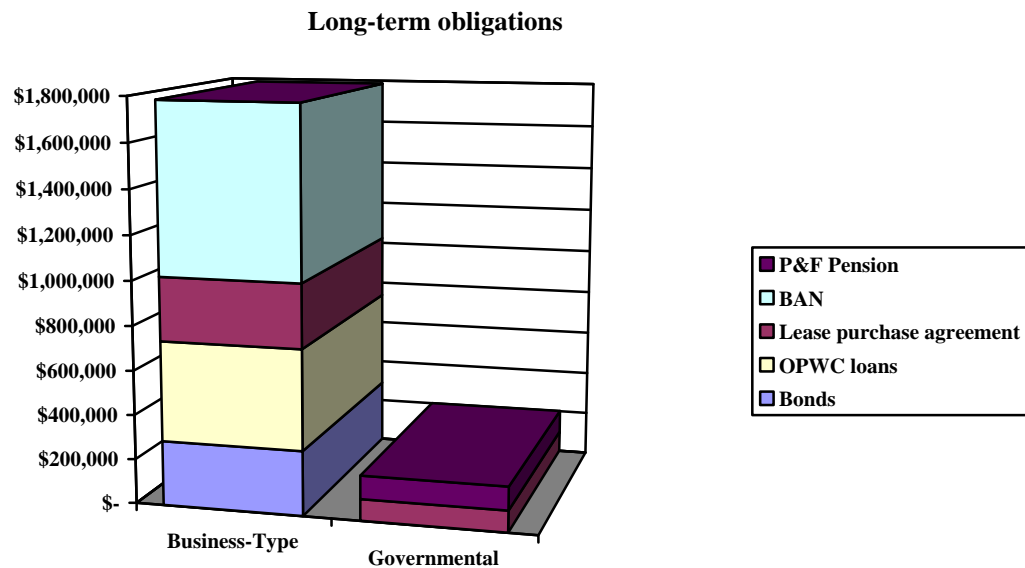
Debt Administration

The City had the following long-term obligations outstanding at December 31, 2009 and 2008:

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Lease purchase agreement	\$ 97,219	\$ 110,785
Police and fire pension	103,748	105,977
General obligation bonds	<u>-</u>	<u>65,000</u>
 Total long-term obligations	 <u>\$ 200,967</u>	 <u>\$ 281,762</u>

	<u>Business-type Activities</u>	
	<u>2009</u>	<u>2008</u>
Revenue bonds	290,000	420,000
Bond anticipation notes	763,000	838,000
Lease purchase agreement	284,947	186,832
OPWC loans	<u>448,127</u>	<u>461,620</u>
 Total long-term obligations	 <u>\$ 1,786,074</u>	 <u>\$ 1,906,452</u>

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



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

CITY OF CRESTLINE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009 (UNAUDITED)

Economic Conditions and Outlook

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

The City is located in Crawford County. Crawford County has an unemployment rate of 15%, compared to the 10.1% State average and the 8.9% national average.

State funding is uncertain due to budgetary shortfalls at the State level. It appears Local Government Revenue and Local Government Revenue Assistance Funds may be cut by 10% in the next biennial State budget. These funds represented 17% of the City's general fund revenue in 2009. 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 2010. The City has continued to practice conservative budgetary practices in order to preserve a positive financial position in future years.

Contacting the City's Financial Management

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

CITY OF CRESTLINE, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2009

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments	\$ 1,130,231	\$ 1,267,817	\$ 2,398,048
Cash in segregated accounts	12,764	-	12,764
Cash with fiscal agent	-	172,277	172,277
Receivables (net of allowances for uncollectibles):			
Income taxes	543,735	-	543,735
Property and other taxes	182,106	-	182,106
Accounts	13,431	390,919	404,350
Accrued interest	6,562	-	6,562
Special assessments	31,612	-	31,612
Due from other governments	233,901	-	233,901
Internal balances	118,000	(118,000)	-
Capital assets:			
Land	380,645	111,558	492,203
Construction in progress	496,316	-	496,316
Depreciable capital assets, net	4,790,763	6,243,883	11,034,646
Total capital assets, net	<u>5,667,724</u>	<u>6,355,441</u>	<u>12,023,165</u>
Total assets	<u>7,940,066</u>	<u>8,068,454</u>	<u>16,008,520</u>
Liabilities:			
Accounts payable	110,298	43,717	154,015
Contracts payable	64,395	20,717	85,112
Accrued wages and benefits	62,376	26,639	89,015
Due to other governments	54,274	25,872	80,146
Pension obligation payable	103,237	9,113	112,350
Accrued interest payable	731	30,706	31,437
Notes payable	-	30,000	30,000
Unearned revenue	170,176	-	170,176
Long-term liabilities:			
Due within one year	41,387	247,197	288,584
Due in more than one year	245,165	1,604,731	1,849,896
Total liabilities	<u>852,039</u>	<u>2,038,692</u>	<u>2,890,731</u>
Net assets:			
Invested in capital assets, net of related debt	5,570,505	4,539,367	10,109,872
Restricted for:			
Capital projects	588,864	-	588,864
Debt service	75,206	-	75,206
Transportation projects	130,645	-	130,645
Community environment programs	49,387	-	49,387
Revenue bond renewal and replacement	-	60,000	60,000
Revenue bond future debt service	-	15,000	15,000
Revenue bond current debt service	-	172,277	172,277
Other purposes	188,765	-	188,765
Unrestricted	<u>484,655</u>	<u>1,243,118</u>	<u>1,727,773</u>
Total net assets	<u>\$ 7,088,027</u>	<u>\$ 6,029,762</u>	<u>\$ 13,117,789</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF CRESTLINE, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 365,278	\$ 127,376	\$ 17,688	\$ -
Security of persons and property.	1,331,289	64,490	5,739	-
Transportation	625,941	-	341,223	350,538
Community environment	379,133	4,793	397,153	-
Leisure time activity	158,180	77,120	-	-
Interest and fiscal charges.	14,004	-	-	-
Total governmental activities	2,873,825	273,779	761,803	350,538
Business-type activities:				
Water	732,375	1,007,779	-	116,890
Sewer	668,114	689,314	-	-
Ambulance services.	80,365	119,612	-	-
Total business-type activities	1,480,854	1,816,705	-	116,890
Total primary government.	\$ 4,354,679	\$ 2,090,484	\$ 761,803	\$ 467,428

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.

Change in net assets.

Net assets at beginning of year.

Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (220,214)	\$ -	\$ (220,214)
(1,261,060)	-	(1,261,060)
65,820	-	65,820
22,813	-	22,813
(81,060)	-	(81,060)
(14,004)	-	(14,004)
<u>(1,487,705)</u>	<u>-</u>	<u>(1,487,705)</u>
-	392,294	392,294
-	21,200	21,200
-	39,247	39,247
-	452,741	452,741
<u>(1,487,705)</u>	<u>452,741</u>	<u>(1,034,964)</u>
127,552	-	127,552
39,919	-	39,919
10,224	-	10,224
10,224	-	10,224
801,391	-	801,391
90,837	-	90,837
179,677	-	179,677
284,161	-	284,161
35,144	-	35,144
49,723	19,143	68,866
1,628,852	19,143	1,647,995
141,147	471,884	613,031
<u>6,946,880</u>	<u>5,557,878</u>	<u>12,504,758</u>
<u>\$ 7,088,027</u>	<u>\$ 6,029,762</u>	<u>\$ 13,117,789</u>

CITY OF CRESTLINE, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	<u>General</u>	<u>Street Construction, Maintenance and Repair</u>	<u>2009 CHIP Grant</u>	<u>Capital Improvements</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 322,061	\$ 7,325	\$ 2,008	\$ 367,050
Cash in segregated accounts	9,632	-	-	-
Receivables (net of allowance for uncollectibles):				
Income taxes	405,678	46,541	-	91,516
Property and other taxes	161,152	-	-	-
Accounts	13,431	-	-	-
Accrued interest	5,246	461	-	-
Special assessments	31,612	-	-	-
Due from other governments	120,975	83,523	-	-
Due from other funds	-	-	-	-
Loans to other funds	-	-	-	118,000
Total assets	<u>\$ 1,069,787</u>	<u>\$ 137,850</u>	<u>\$ 2,008</u>	<u>\$ 576,566</u>
Liabilities:				
Accounts payable	\$ 38,149	\$ 58,301	\$ 3,009	\$ 10,764
Contracts payable	1,381	10,503	-	52,511
Accrued wages and benefits	57,726	4,650	-	-
Due to other governments	40,127	219	12,638	-
Pension obligation payable	101,444	1,793	-	-
Due to other funds	1,159	-	-	-
Deferred revenue	513,186	110,390	-	78,876
Unearned revenue	150,594	-	-	-
Total liabilities	<u>903,766</u>	<u>185,856</u>	<u>15,647</u>	<u>142,151</u>
Fund balances:				
Reserved for encumbrances	32,215	48,706	3,064	1,551
Reserved for loans	-	-	-	118,000
Reserved for debt service	-	-	-	-
Unreserved, undesignated (deficit), reported in:				
General fund	133,806	-	-	-
Special revenue funds	-	(96,712)	(16,703)	-
Capital projects funds	-	-	-	314,864
Total fund balances (deficit)	<u>166,021</u>	<u>(48,006)</u>	<u>(13,639)</u>	<u>434,415</u>
Total liabilities and fund balances	<u>\$ 1,069,787</u>	<u>\$ 137,850</u>	<u>\$ 2,008</u>	<u>\$ 576,566</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Other Governmental Funds	Total Governmental Funds
\$ 431,787	\$ 1,130,231
3,132	12,764
-	543,735
20,954	182,106
-	13,431
855	6,562
-	31,612
29,403	233,901
1,159	1,159
-	118,000
<u>\$ 487,290</u>	<u>\$ 2,273,501</u>
\$ 75	\$ 110,298
-	64,395
-	62,376
1,290	54,274
-	103,237
-	1,159
28,416	730,868
19,582	170,176
<u>49,363</u>	<u>1,296,783</u>
654	86,190
-	118,000
75,206	75,206
-	133,806
287,596	174,181
74,471	389,335
<u>437,927</u>	<u>976,718</u>
<u>\$ 487,290</u>	<u>\$ 2,273,501</u>

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CITY OF CRESTLINE, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009

Total governmental fund balances		\$	976,718
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			5,667,724
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.			
Income taxes receivable	\$	468,632	
Property and other taxes receivable		11,930	
Fines and forfeitures receivable		13,431	
Special assessments receivable		31,612	
Intergovernmental receivable		198,701	
Accrued interest receivable		6,562	
Total		730,868	730,868
In the statement of activities interest is accrued on outstanding obligations, whereas in governmental funds, interest expenditures are reported when due.			(731)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:			
Lease purchase agreement payable		(97,219)	
Police and fire pension payable		(103,748)	
Compensated absences payable		(85,585)	
Total		(286,552)	(286,552)
Net assets of governmental activities		\$	7,088,027

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CRESTLINE, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>General</u>	<u>Street Construction, Maintenance and Repair</u>	<u>2009 CHIP Grant</u>	<u>Capital Improvements</u>
Revenues:				
Municipal income taxes	\$ 779,466	\$ 86,574	\$ -	\$ 170,992
Property and other taxes	129,078	-	-	-
Charges for services	94,534	-	-	-
Licenses and permits	3,245	-	-	51,159
Fines and forfeitures	56,624	-	-	-
Intergovernmental	244,304	567,803	334,501	-
Investment income	30,198	2,642	-	-
Rental income	5,473	-	-	-
Contributions and donations	4,960	-	-	-
Other	42,764	68,044	-	1,999
Total revenues	<u>1,390,646</u>	<u>725,063</u>	<u>334,501</u>	<u>224,150</u>
Expenditures:				
Current:				
General government	350,056	-	-	-
Security of persons and property	1,263,339	-	-	-
Transportation	-	481,373	-	-
Community environment	30,993	-	348,140	-
Leisure time activity	37,317	-	-	-
Capital outlay	1,381	350,538	-	245,049
Debt service:				
Principal retirement	2,229	13,566	-	-
Interest and fiscal charges	4,572	5,649	-	-
Total expenditures	<u>1,689,887</u>	<u>851,126</u>	<u>348,140</u>	<u>245,049</u>
Net change in fund balances	(299,241)	(126,063)	(13,639)	(20,899)
Fund balances at beginning of year	<u>465,262</u>	<u>78,057</u>	<u>-</u>	<u>455,314</u>
Fund balances (deficits) at end of year	<u>\$ 166,021</u>	<u>\$ (48,006)</u>	<u>\$ (13,639)</u>	<u>\$ 434,415</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,037,032
60,863	189,941
48,015	142,549
-	54,404
5,170	61,794
140,179	1,286,787
4,906	37,746
-	5,473
-	4,960
5,574	118,381
<u>264,707</u>	<u>2,939,067</u>
-	350,056
27,398	1,290,737
921	482,294
-	379,133
111,858	149,175
25,639	622,607
65,000	80,795
3,820	14,041
<u>234,636</u>	<u>3,368,838</u>
30,071	(429,771)
<u>407,856</u>	<u>1,406,489</u>
<u>\$ 437,927</u>	<u>\$ 976,718</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, 2009

Net change in fund balances - total governmental funds \$ (429,771)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Capital outlays exceed depreciation expense in the current period accordingly.

Capital asset additions	\$ 651,134	
Current year depreciation	<u>(252,218)</u>	
		398,916

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Income taxes	34,873	
Property and other taxes	(2,022)	
Fines and forfeitures	9,126	
Special assessments	29,634	
Intergovernmental	7,184	
Interest	<u>(2,890)</u>	
Total		75,905

Repayment of bond, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.

80,795

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

37

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.

15,265

Change in net assets of governmental activities \$ 141,147

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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal income taxes	\$ 347,473	\$ 733,080	\$ 791,430	\$ 58,350
Property and other taxes	207,129	161,700	129,078	(32,622)
Charges for services	151,697	86,650	94,534	7,884
Licenses and permits.	5,207	3,550	3,245	(305)
Fines and forfeitures.	121,818	90,931	56,888	(34,043)
Intergovernmental	393,540	240,800	245,245	4,445
Contributions and donations	7,959	-	4,960	4,960
Investment income	70,978	35,000	44,232	9,232
Rental income	8,782	2,750	5,473	2,723
Other	66,878	27,000	41,676	14,676
Total revenues	1,381,462	1,381,461	1,416,761	35,300
Expenditures:				
Current:				
General government	360,455	360,455	344,955	15,500
Security of persons and property	1,274,934	1,274,934	1,220,112	54,822
Community environment	32,651	32,651	31,247	1,404
Leisure time activity	36,602	36,602	35,028	1,574
Total expenditures.	1,704,642	1,704,642	1,631,342	73,300
 Net change in fund balance	 (323,180)	 (323,181)	 (214,581)	 108,600
 Fund balance at beginning of year.	 472,878	 472,878	 472,878	 -
Prior year encumbrances appropriated.	20,262	20,262	20,262	-
 Fund balance at end of year	 \$ 169,960	 \$ 169,959	 \$ 278,559	 \$ 108,600

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CRESTLINE, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal income taxes	\$ 82,125	\$ 82,125	\$ 87,583	\$ 5,458
Intergovernmental	155,000	155,000	423,431	268,431
Investment income	3,500	3,500	3,870	370
Other	-	-	67,996	67,996
Total revenues	240,625	240,625	582,880	342,255
Expenditures:				
Current:				
Transportation	395,801	395,801	810,019	(414,218)
Debt service:				
Principal retirement	13,566	13,566	13,566	-
Interest and fiscal charges	5,649	5,649	5,649	-
Total expenditures	415,016	415,016	829,234	(414,218)
Net change in fund balance	(174,391)	(174,391)	(246,354)	(71,963)
Fund balance at beginning of year	195,988	195,988	195,988	-
Prior year encumbrances appropriated	7,998	7,998	7,998	-
Fund balance (deficit) at end of year	\$ 29,595	\$ 29,595	\$ (42,368)	\$ (71,963)

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)
 2009 CHIP GRANT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 500,000	\$ 500,000	\$ 334,501	\$ (165,499)
Total revenues.	<u>500,000</u>	<u>500,000</u>	<u>334,501</u>	<u>(165,499)</u>
Expenditures:				
Current:				
Community environment	500,000	500,000	335,557	164,443
Total expenditures.	<u>500,000</u>	<u>500,000</u>	<u>335,557</u>	<u>164,443</u>
Net change in fund balance	-	-	(1,056)	(1,056)
Fund balance at beginning of year	-	-	-	-
Prior year encumbrances appropriated	-	-	-	-
Fund balance (deficit) at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,056)</u>	<u>\$ (1,056)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CRESTLINE, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2009

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Nonmajor	Total
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 838,921	\$ 156,523	\$ 197,373	\$ 1,192,817
Receivables (net of allowance for uncollectibles):				
Accounts	205,564	150,249	35,106	390,919
Total current assets	<u>1,044,485</u>	<u>306,772</u>	<u>232,479</u>	<u>1,583,736</u>
Noncurrent assets:				
Restricted assets:				
Cash with fiscal agent	172,277	-	-	172,277
Equity in pooled cash and cash equivalents	75,000	-	-	75,000
Capital assets:				
Land	74,323	37,235	-	111,558
Depreciable capital assets, net	2,809,445	3,194,446	239,992	6,243,883
Total capital assets	<u>2,883,768</u>	<u>3,231,681</u>	<u>239,992</u>	<u>6,355,441</u>
Total noncurrent assets	<u>3,131,045</u>	<u>3,231,681</u>	<u>239,992</u>	<u>6,602,718</u>
Total assets	<u>4,175,530</u>	<u>3,538,453</u>	<u>472,471</u>	<u>8,186,454</u>
Liabilities:				
Current liabilities:				
Accounts payable	23,958	11,756	8,003	43,717
Contracts payable	20,717	-	-	20,717
Accrued wages and benefits	13,868	12,325	446	26,639
Compensated absences	9,642	9,641	-	19,283
Due to other governments	15,232	9,771	869	25,872
Loans from other funds	-	118,000	-	118,000
Pension obligation payable	4,526	4,117	470	9,113
Accrued interest payable	2,828	27,878	-	30,706
Notes payable	-	30,000	-	30,000
Current portion of revenue bonds	140,000	-	-	140,000
Current portion of OPWC loans payable	-	40,478	-	40,478
Current portion of lease purchase agreement	-	27,119	20,317	47,436
Total current liabilities	<u>230,771</u>	<u>291,085</u>	<u>30,105</u>	<u>551,961</u>
Long-term liabilities:				
Lease purchase agreement	-	133,804	103,707	237,511
Revenue bonds	150,000	-	-	150,000
OPWC loans	-	407,649	-	407,649
Notes payable	-	763,000	-	763,000
Compensated absences	23,285	23,286	-	46,571
Total long-term liabilities	<u>173,285</u>	<u>1,327,739</u>	<u>103,707</u>	<u>1,604,731</u>
Total liabilities	<u>404,056</u>	<u>1,618,824</u>	<u>133,812</u>	<u>2,156,692</u>
Net assets:				
Invested in capital assets, net of related debt	2,593,768	1,829,631	115,968	4,539,367
Restricted:				
Revenue bond renewal and replacement	60,000	-	-	60,000
Revenue bond future debt service	15,000	-	-	15,000
Revenue bond current debt service	172,277	-	-	172,277
Unrestricted	<u>930,429</u>	<u>89,998</u>	<u>222,691</u>	<u>1,243,118</u>
Total net assets	<u>\$ 3,771,474</u>	<u>\$ 1,919,629</u>	<u>\$ 338,659</u>	<u>\$ 6,029,762</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, 2009

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Nonmajor	Total
Operating revenues:				
Charges for services	\$ 945,311	\$ 689,314	\$ 119,612	\$ 1,754,237
Other	62,468	-	-	62,468
Total operating revenues	<u>1,007,779</u>	<u>689,314</u>	<u>119,612</u>	<u>1,816,705</u>
Operating expenses:				
Personal services	385,444	349,611	26,296	761,351
Contract services	82,224	70,575	26,447	179,246
Materials and supplies	82,589	19,735	11,067	113,391
Utilities	65,348	68,327	-	133,675
Depreciation	108,306	117,410	16,555	242,271
Other	877	-	-	877
Total operating expenses.	<u>724,788</u>	<u>625,658</u>	<u>80,365</u>	<u>1,430,811</u>
Operating income	<u>282,991</u>	<u>63,656</u>	<u>39,247</u>	<u>385,894</u>
Nonoperating revenues (expenses):				
Other nonoperating revenues	7,899	10,904	340	19,143
Interest expense and fiscal charges	(7,587)	(42,456)	-	(50,043)
Total nonoperating revenues (expenses)	<u>312</u>	<u>(31,552)</u>	<u>340</u>	<u>(30,900)</u>
Income before capital contributions	283,303	32,104	39,587	354,994
Capital contributions	116,890	-	-	116,890
Changes in net assets	400,193	32,104	39,587	471,884
Net assets at beginning of year	<u>3,371,281</u>	<u>1,887,525</u>	<u>299,072</u>	<u>5,557,878</u>
Net assets at end of year	<u>\$ 3,771,474</u>	<u>\$ 1,919,629</u>	<u>\$ 338,659</u>	<u>\$ 6,029,762</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, 2009

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Nonmajor	Total
Cash flows from operating activities:				
Cash received from customers	\$ 887,385	\$ 648,597	\$ 138,717	\$ 1,674,699
Cash received from other operations.	62,468	-	-	62,468
Cash payments for personal services	(377,232)	(343,545)	(28,116)	(748,893)
Cash payments for contract services	(60,516)	(79,016)	(20,072)	(159,604)
Cash payments for materials and supplies	(82,118)	(19,355)	(11,538)	(113,011)
Cash payments for utilities.	(65,348)	(68,327)	-	(133,675)
Cash payments for other expenses.	(877)	-	-	(877)
Net cash provided by operating activities.	<u>363,762</u>	<u>138,354</u>	<u>78,991</u>	<u>581,107</u>
Cash flows from noncapital financing activities:				
Cash received from nonoperating revenues.	7,899	10,904	340	19,143
Net cash provided by noncapital financing activities	<u>7,899</u>	<u>10,904</u>	<u>340</u>	<u>19,143</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(123,757)	-	-	(123,757)
Capital contributions	116,890	-	-	116,890
Principal retirement on revenue bonds	(130,000)	-	-	(130,000)
Principal retirement on OPWC loans.	-	(13,493)	-	(13,493)
Principal retirement on notes	-	(838,000)	-	(838,000)
Principal retirement on lease purchase agreement.	-	(25,909)	-	(25,909)
Sale of notes.	-	793,000	-	793,000
Interest and fiscal charges.	(8,822)	(33,795)	-	(42,617)
Net cash (used in) capital and related financing activities	<u>(145,689)</u>	<u>(118,197)</u>	<u>-</u>	<u>(263,886)</u>
Net increase in cash and cash equivalents	225,972	31,061	79,331	336,364
Cash and cash equivalents at beginning of year	860,226	125,462	118,042	1,103,730
Cash and cash equivalents at end of year.	<u>\$ 1,086,198</u>	<u>\$ 156,523</u>	<u>\$ 197,373</u>	<u>\$ 1,440,094</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 282,991	\$ 63,656	\$ 39,247	\$ 385,894
Adjustments:				
Depreciation	108,306	117,410	16,555	242,271
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable.	(57,926)	(40,717)	19,105	(79,538)
Decrease in prepayments	4,355	617	-	4,972
Increase (decrease) in accounts payable	17,824	(8,678)	5,904	15,050
Increase in accrued wages and benefits	2,262	3,306	290	5,858
Increase (decrease) in due to other governments.	4,746	849	(2,149)	3,446
Increase (decrease) in pension obligation payable.	(2,920)	(2,213)	39	(5,094)
Increase in compensated absences payable	4,124	4,124	-	8,248
Net cash provided by operating activities.	<u>\$ 363,762</u>	<u>\$ 138,354</u>	<u>\$ 78,991</u>	<u>\$ 581,107</u>

Non-cash transactions:

At December 31, 2009 and 2008 the Water fund purchased \$20,717 and \$1,937 in capital assets on account, respectively. During 2009 the ambulance fund (a non-major fund) entered into a lease purchase agreement for \$124,024.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CRESTLINE, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2009

	<u>Private-Purpose Trust</u>
Assets:	
Equity in pooled cash and investments	\$ 19,635
Total assets.	<u>19,635</u>
Net assets:	
Held in trust for other purposes	<u>19,635</u>
Total net assets	<u>\$ 19,635</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CRESTLINE, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Private-Purpose Trust</u>
Additions:	
Gifts and contributions.	\$ 7,000
Total additions.	<u>7,000</u>
Deductions:	
Other.	<u>8,500</u>
Changes in net assets	(1,500)
Net assets at the beginning of the year.	<u>21,135</u>
Net assets at the end of the year	<u>\$ 19,635</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 1 - DESCRIPTION OF THE CITY

A. The City

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

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

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

B. Reporting Entity

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's Governing Board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. There were no component units of the City in 2009.

The City participates in the Ohio Government Risk Management Plan, an insurance purchasing pool. This organization is further described in Note 11 and 18 to the basic financial statements.

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 1 - DESCRIPTION OF THE CITY - (Continued)

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (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) guidance 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) guidance issued after November 30, 1989, to its business-type activities or to its enterprise funds. The following are the more significant of the City's accounting policies.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

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

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

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

2009 CHIP grant fund - This fund accounts for transactions relating to the 2009 Community Housing Improvement Program (CHIP) grant.

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

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

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

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

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

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

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

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City's private purpose trust fund accounts for resources provided to various organizations which are then generally used to benefit the community.

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has no agency funds.

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

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

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2009, but which were levied to finance year 2010 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at December 31, 2009, are recorded as deferred revenue on the governmental fund financial statements.

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

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

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

E. Budgetary Process

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

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

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

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

F. Cash and Investments

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

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

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

At December 31, 2009, the City had monies invested in nonnegotiable certificates of deposit, federal agency securities and a U.S. Government money market mutual fund. 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 2009 was \$30,198, of which \$23,681 was assigned from other City funds.

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

G. 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.

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

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.

H. Capital Assets

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

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

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

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

I. Interfund Receivables/Payables

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

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

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

J. 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.

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Net Assets

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

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

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

M. 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 debt service, loans and encumbrances.

N. 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.

O. Interfund Transactions

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

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

P. 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 2009.

Q. Estimates

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

R. Capital Contributions

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements.

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2009, the City has implemented GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards", and GASB Statement No. 57 "Other Postemployment Benefit (OPEB) Measurements by Agent Employers and Agent Multiple-Employers".

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the City.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the City.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the City.

GASB Statement No. 57 establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the City.

B. Deficit Fund Balance

Two funds at December 31, 2009, had deficit fund balances. The street construction, maintenance and repair fund as well as the 2009 CHIP grant fund had fund balance deficits of \$48,006 and \$13,639, respectively, due to the recognition of accrued liabilities. The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur.

C. Legal Compliance

1. The City did not timely complete fiscal officer certificates in noncompliance with Ohio Revised Code Section 5705.41(D).
2. The City had expenditures in excess of appropriations in noncompliance with Ohio Revised Code Sections 5705.40 and 5705.41(B).
3. The City certified incorrect unencumbered fund balances at January 1, 2009 in noncompliance with Ohio Revised Code Section 5705.36.
4. The City had appropriations in excess of actual resources in noncompliance with Ohio Revised Code Section 5705.36(A)(4).

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statements of revenues, expenditures and changes in fund balances - budget and actual (non-GAAP budgetary basis) presented for the general fund and the major special revenue funds: the street construction, maintenance and repair fund and the 2009 CHIP grant fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP);
2. Expenditures/expenses and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP);
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP); and,
4. Unreported cash represents amounts received, but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

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

Net Change in Fund Balance

	<u>General</u>	Street Construction, Maintenance and Repair	2009 CHIP <u>Grant</u>
Budget basis	\$ (214,581)	\$ (246,354)	\$ (1,056)
Net adjustment for revenue accruals	(26,115)	348,465	-
Net adjustment for expenditure accruals	(90,760)	(276,880)	(15,647)
Adjustment for encumbrances	<u>32,215</u>	<u>48,706</u>	<u>3,064</u>
GAAP basis	<u>\$ (299,241)</u>	<u>\$ (126,063)</u>	<u>\$ (13,639)</u>

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items 1 and 2 above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool, State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash with Fiscal Agent

At year end, the City had \$172,277 on deposit with Huntington National Bank. Information regarding the City's water system revenue bonds can be obtained from the City Auditor. This amount is not included in the City's depository balance below.

B. Cash on Hand

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

C. Cash in Segregated Accounts

At year end, the City had \$9,632 deposited with a financial institution for monies related to the Mayor's Court, police auxiliary and summer food service program which is reported as components of the City's general fund and the remaining \$3,132 related to DARE is reported in other governmental funds. These amounts are included in the City's depository balance below.

D. Deposits with Financial Institutions

At December 31, 2009, the carrying amount of all City deposits was \$1,415,340. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2009, \$484,390 of the City's bank balance of \$1,496,543 was exposed to custodial risk as discussed below, while \$1,012,153 was covered by the FDIC.

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

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

E. Investments

As of December 31, 2009, the City had the following investments and maturities:

Investment type	Fair Value	Investment Maturities				
		6 months or Less	7 to 12 Months	13 to 18 Months	19 to 24 Months	Greater than 24 Months
FFCB	\$ 100,250	\$ -	\$ -	\$ -	\$ -	\$ 100,250
FHLB	400,863	25,305	340,547	-	-	35,011
FHLMC	500,989	10,131	240,213	-	-	250,645
US Government money market mutual fund	12,005	12,005	-	-	-	-
Total	\$ 1,014,107	\$ 47,441	\$ 580,760	\$ -	\$ -	\$ 385,906

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the City's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The City's investments in federal agency securities carry a rating of AAA by Standard & Poor's and Aaa by Moody's. The U.S. Government money market mutual fund carries a rating of AAAM by Standard & Poor's. The City's investment policy does not specifically address credit risk beyond requiring the City to only invest in securities authorized by State statute.

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

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FFCB	\$ 100,250	9.89
FHLB	400,863	39.53
FHLMC	500,989	49.40
US Governmental money market mutual fund	<u>12,005</u>	<u>1.18</u>
Total	<u>\$ 1,014,107</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,415,340
Investments	1,014,107
Cash with fiscal agent	172,277
Cash on hand	<u>1,000</u>
Total	<u>\$ 2,602,724</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 1,142,995
Business type activities	1,440,094
Private-purpose trust fund	<u>19,635</u>
Total	<u>\$ 2,602,724</u>

NOTE 6 - RECEIVABLES

Receivables at December 31, 2009, consisted of taxes, accounts (billings for user charged services), accrued interest, special assessments and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as “due from other governments” on the basic financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2009, as well as intended to finance 2009 operations.

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 6 - RECEIVABLES - (Continued)

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

Governmental activities:

Income taxes	\$ 543,735
Property and other taxes	182,106
Accounts	13,431
Accrued interest	6,562
Special assessments	31,612
Due from other governments	233,901

Business-type activities:

Accounts	390,919
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NOTE 7 - MUNICIPAL INCOME TAXES

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

NOTE 8 - PROPERTY TAXES

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Beginning in calendar year 2009 tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property tax collections in calendar year 2009 represent delinquent collections.

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 8 - PROPERTY TAXES - (Continued)

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Crestline. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2009 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2009 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue.

The full tax rate for all City operations for the year ended December 31, 2009 was \$7.20 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

Real property

Residential/agricultural	\$ 41,678,570
Commercial/industrial	9,373,410
Tangible personal property	104,690

Public utility

Real	180,800
Personal	<u>1,370,460</u>
Total assessed value	<u>\$ 52,707,930</u>

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 9 - CAPITAL ASSETS

The following activity occurred in the City's governmental activities and business-type activities capital assets during 2009:

<u>Governmental activities:</u>	<u>Balance</u> 12/31/08	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> 12/31/09
<i>Capital assets, not being depreciated:</i>				
Land	\$ 380,645	\$ -	\$ -	\$ 380,645
Construction-in-progress	<u>-</u>	<u>496,316</u>	<u>-</u>	<u>496,316</u>
Total capital assets, not being depreciated	<u>380,645</u>	<u>496,316</u>	<u>-</u>	<u>876,961</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	92,868	-	-	92,868
Buildings	1,765,363	-	-	1,765,363
Equipment	312,970	51,333	-	364,303
Vehicles	1,120,642	21,802	-	1,142,444
Infrastructure:				
Streets	5,561,179	81,683	-	5,642,862
Bridges	<u>116,906</u>	<u>-</u>	<u>-</u>	<u>116,906</u>
Total capital assets, being depreciated	<u>8,969,928</u>	<u>154,818</u>	<u>-</u>	<u>9,124,746</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(48,174)	(1,596)	-	(49,770)
Buildings	(830,999)	(33,695)	-	(864,694)
Equipment	(208,105)	(21,081)	-	(229,186)
Vehicles	(789,449)	(42,098)	-	(831,547)
Infrastructure:				
Streets	(2,171,060)	(151,410)	-	(2,322,470)
Bridges	<u>(33,978)</u>	<u>(2,338)</u>	<u>-</u>	<u>(36,316)</u>
Total accumulated depreciation	<u>(4,081,765)</u>	<u>(252,218)</u>	<u>-</u>	<u>(4,333,983)</u>
Total capital assets, being depreciated, net	<u>4,888,163</u>	<u>(97,400)</u>	<u>-</u>	<u>4,790,763</u>
Governmental activities capital assets, net	<u>\$ 5,268,808</u>	<u>\$ 398,916</u>	<u>\$ -</u>	<u>\$ 5,667,724</u>

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

Governmental activities:	
General government	\$ 9,407
Security of persons and property	61,632
Leisure time activities	9,005
Transportation	<u>172,174</u>
Total depreciation expense - governmental activities	<u>\$ 252,218</u>

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 9 - CAPITAL ASSETS - (Continued)

<u>Business-type activities:</u>	<u>Balance</u> <u>12/31/08</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/09</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 111,558	\$ -	\$ -	\$ 111,558
Total capital assets, not being depreciated	<u>111,558</u>	<u>-</u>	<u>-</u>	<u>111,558</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	133,000	-	-	133,000
Buildings	2,159,900	-	-	2,159,900
Water, sewer, and storm water lines	2,875,819	133,033	-	3,008,852
Equipment	4,768,792	9,504	-	4,778,296
Vehicles	<u>494,117</u>	<u>124,024</u>	<u>-</u>	<u>618,141</u>
Total capital assets, being depreciated	<u>10,431,628</u>	<u>266,561</u>	<u>-</u>	<u>10,698,189</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(118,370)	(1,330)	-	(119,700)
Buildings	(868,300)	(43,090)	-	(911,390)
Water, sewer, and storm water lines	(1,041,353)	(60,177)	-	(1,101,530)
Equipment	(1,844,496)	(121,892)	-	(1,966,388)
Vehicles	<u>(339,516)</u>	<u>(15,782)</u>	<u>-</u>	<u>(355,298)</u>
Total accumulated depreciation	<u>(4,212,035)</u>	<u>(242,271)</u>	<u>-</u>	<u>(4,454,306)</u>
Total capital assets, being depreciated, net	<u>6,219,593</u>	<u>24,290</u>	<u>-</u>	<u>6,243,883</u>
Business-type activities capital assets, net	<u>\$ 6,331,151</u>	<u>\$ 24,290</u>	<u>\$ -</u>	<u>\$ 6,355,441</u>

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

Business-type activities:	
Sewer	\$ 117,410
Water	108,306
Ambulance	<u>16,555</u>
Total depreciation expense - business-type activities	<u>\$ 242,271</u>

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 10 - INTERFUND TRANSACTIONS

- A. Due from/to other funds consisted of the following at December 31, 2009, as reported on the fund financial statements:

<u>Due from</u>	<u>Due to</u>	<u>Amount</u>
Nonmajor governmental fund	General fund	<u>\$ 1,159</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.

Amounts due from/to other funds between governmental funds are eliminated on the government-wide financial statements.

- B. Loans to/from other funds consisted of the following at December 31, 2009, as reported on the fund financial statements:

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

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

NOTE 11 - RISK MANAGEMENT

A. Property and Casualty Insurance

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2009, the City contracted for the following insurance coverage.

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

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 11 - RISK MANAGEMENT - (Continued)

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Excess Liability		
Each Occurrence	\$ 2,000,000	\$ -
Annual Aggregate	2,000,000	-
Law Enforcement Officers Liability		
Each Occurrence	1,000,000	5,000
Annual Aggregate	1,000,000	5,000
Property (building and contents)	12,247,565	1,000
Inland Marine	662,759	1,000
Automobile Coverage		
Liability	1,000,000	-
Medical Payments	10,000	-

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

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

The Plan issues its own policies and reinsures with A-VIII or better rated carriers, except for a 5% portion the Plan retains. With policies effective November 1, 2005 and after, the Plan pays the lesser of 5% or \$37,500 for casualty losses up to the coverage limit and the lesser of 5% or \$100,000 for property losses up to the coverage limit. The individual members are only responsible for their self-retention (deductible) amounts, which vary by Member.

The Plan’s audited financial statements conform with accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Assets	\$ 11,176,186	\$ 10,471,114
Liabilities	<u>(4,852,485)</u>	<u>(5,286,781)</u>
Members' Equity	<u>\$ 6,323,701</u>	<u>\$ 5,184,333</u>

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

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

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 11 - RISK MANAGEMENT - (Continued)

B. Employee Health Benefits

The City provides employee medical and dental insurance. Medical insurance is provided by Anthem and dental is provided by Delta Dental. The risk of loss transfers entirely to the insurance carriers. The City pays 75% of the premiums for health insurance and 100% of the premiums for dental insurance.

There has been no significant reduction in insurance coverage from 2008 and no insurance settlement has exceeded insurance coverage during the last three years.

NOTE 12 - PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2009 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.10%. The City's contribution rate for 2009 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.63% of covered payroll.

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 12 - PENSION PLANS - (Continued)

The City's contribution rate for pension benefits for 2009 was 7.00% from January 1 through March 31, 2009 and 8.50% from April 1 through December 31, 2009, except for those plan members in law enforcement and public safety. For those classifications, pension contributions were 10.63% from January 1 through March 31, 2009 and 12.13% from April 1 through December 31, 2009. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2009, 2008 and 2007 were \$56,483, \$67,797 and \$75,650, respectively; 89.74% has been contributed for 2009 and 100% has been contributed for 2008 and 2007.

B. Ohio Police and Fire Pension Fund

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

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2009, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$47,558 and \$52,094 for the year ended December 31, 2009, \$42,033 and \$44,611 for the year ended December 31, 2008 and \$45,116 and \$51,522 for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 40.55% has been contributed for police and firefighters for 2009.

NOTE 13 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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

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

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 13 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Funding Policy - The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14.00% of covered payroll (17.63% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for 2009 was 7.00% from January 1 through March 31, 2009 and 5.50% from April 1 through December 31, 2009.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008 and 2007 were \$40,841, \$67,797 and \$50,357, respectively; 89.74% has been contributed for 2009 and 100% has been contributed for 2008 and 2007.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2007, January 1, 2008 and January 1, 2009, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

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

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

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

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 13 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$25,178 and \$20,385 for the year ended December 31, 2009, \$22,253 and \$17,457 for the year ended December 31, 2008 and \$23,868 and \$20,136 for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 40.55% has been contributed for police and firefighters for 2009.

NOTE 14 - COMPENSATED ABSENCES

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

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

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

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 15 - NOTES PAYABLE

Changes in the City's note activity for the year ended December 31, 2009, were as follows:

	Interest	Balance			Balance
	Rate	Outstanding	Issued	Retired	Outstanding
		<u>12/31/2008</u>	<u> </u>	<u> </u>	<u>12/31/2009</u>
<u>Enterprise fund notes</u>					
Sewer improvement note series 2009	4.40%	\$ -	\$ 30,000	\$ -	\$ 30,000

All notes were backed by the full faith and credit of the City and mature within one year. The note liability is reflected in the fund which received the proceeds.

NOTE 16 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2009, was as follows:

	Interest	Balance			Balance	Amount
	Rate	Outstanding	Issued	Retired	Outstanding	Due in
		<u>12/31/08</u>	<u> </u>	<u> </u>	<u>12/31/09</u>	<u>One Year</u>
Governmental activities:						
<u>General obligation bonds</u>						
1992 City Hall bonds	5.88%	\$ 65,000	\$ -	\$ (65,000)	\$ -	\$ -
<u>Other long-term obligations</u>						
Lease purchase agreement payable		110,785	-	(13,566)	97,219	14,257
Police and fire pension liability		105,977	-	(2,229)	103,748	2,325
Compensated absences payable		108,934	11,175	(34,524)	85,585	24,805
Total other long-term obligations		<u>325,696</u>	<u>11,175</u>	<u>(50,319)</u>	<u>286,552</u>	<u>41,387</u>
Total governmental long-term liabilities		<u>\$ 390,696</u>	<u>\$ 11,175</u>	<u>\$ (115,319)</u>	<u>\$ 286,552</u>	<u>\$ 41,387</u>

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 16 - LONG-TERM OBLIGATIONS - (Continued)

Business-type activities	Interest Rate	Balance Outstanding 12/31/08	Issued	Retired	Balance Outstanding 12/31/09	Amount Due in One Year
<u>Mortgage revenue bonds</u>						
1996 Water bonds	5.8-5.9%	\$ 420,000	\$ -	\$ (130,000)	\$ 290,000	\$ 140,000
<u>OPWC loans</u>						
West side storm sewer		410,123	-	(12,062)	398,061	36,187
Cloverdale Ave. sewer replacement		51,497	-	(1,431)	50,066	4,291
Total OPWC loans		<u>461,620</u>	<u>-</u>	<u>(13,493)</u>	<u>448,127</u>	<u>40,478</u>
<u>Notes</u>						
Sewer improvement note series 2008	3.00%	838,000	-	(838,000)	-	-
Sewer improvement note series 2009	4.40%	-	763,000	-	763,000	-
Total notes		<u>838,000</u>	<u>763,000</u>	<u>(838,000)</u>	<u>763,000</u>	<u>-</u>
<u>Other long-term obligations</u>						
Lease purchase agreement payable		186,832	124,024	(25,909)	284,947	47,436
Compensated absences payable		57,606	22,804	(14,556)	65,854	19,283
Other long-term obligations		244,438	146,828	(40,465)	350,801	66,719
Total business-type long term liabilities		<u>\$ 1,964,058</u>	<u>\$ 909,828</u>	<u>\$ (1,021,958)</u>	<u>\$ 1,851,928</u>	<u>\$ 247,197</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, 2009, the entire balance was paid.

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 net assets. At December 31, 2009, restricted assets relating to the 1996 water mortgage revenue bonds were as follows:

Restricted assets held by the city	
Renewal and replacement	\$ 60,000
Future debt service	15,000
Restricted assets held by the trustees	
Current debt service	172,277

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 16 - LONG-TERM OBLIGATIONS - (Continued)

The water mortgage revenue bonds were issued in 1996 to finance improvements to the water system. Payment of the bonds is secured by a pledge of the net revenues of the water enterprise fund. Annual principal and interest payments on the bonds are expected to require less than 35.16 percent of net revenues. As of December 31, 2009, the balance of unpaid principal was \$290,000, with future annual payments ranging from \$140,000 to \$150,000 through 2011.

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

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

Sewer Improvement Notes

The sewer improvement notes were issued on March 25, 2009 to retire the 2008 notes issued for improving the quality and capacity of treatment and retention capacity at the wastewater treatment plant by constructing an aeration tank, sludge holding tanks, and providing pumping, piping, and electrical facilities. They were issued at a 4.40% interest rate and have a maturity date of March 24, 2010. In accordance with FASB Statement No. 6, "Classification of Short-Term Obligations Expected to Be Refinanced", these notes are considered long-term obligations (See Note 21).

A portion of the bond anticipation notes will be rolled over at their maturity, see Note 21.

Lease Purchase Agreement

Lease purchase agreements will be paid from the fund that maintains custody of the related assets, see Note 17.

Police and Fire Pension Liability

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

Compensated Absences Payable

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

OPWC Loans

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

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 16 - LONG-TERM OBLIGATIONS - (Continued)

Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2009, the City's total debt margin was \$5,591,823 and the unvoted debt margin was \$2,889,657.

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

Year Ending December 31.	<u>Governmental Activities</u>		
	<u>Police and Fire Pension</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 2,325	\$ 4,385	\$ 6,710
2011	2,425	4,285	6,710
2012	2,529	4,182	6,711
2013	2,637	4,072	6,709
2014	2,751	3,959	6,710
2015 - 2019	15,631	17,919	33,550
2020 - 2024	19,288	14,260	33,548
2025 - 2029	23,802	9,745	33,547
2030 - 2034	29,372	4,176	33,548
2035	<u>2,988</u>	<u>63</u>	<u>3,051</u>
Total	<u>\$ 103,748</u>	<u>\$ 67,046</u>	<u>\$ 170,794</u>

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

Year Ending December 31.	<u>Business-Type Activities</u>					
	<u>Mortgage Revenue Bonds</u>			<u>OPWC Loans</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 140,000	\$ 16,970	\$ 156,970	\$ 40,478	-	\$ 40,478
2011	150,000	8,850	158,850	26,987	-	26,987
2012	-	-	-	26,986	-	26,986
2013	-	-	-	26,986	-	26,986
2014	-	-	-	26,986	-	26,986
2015 - 2019	-	-	-	134,929	-	134,929
2020 - 2024	-	-	-	134,929	-	134,929
2025 - 2027	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,846</u>	<u>-</u>	<u>29,846</u>
Total	<u>\$ 290,000</u>	<u>\$ 25,820</u>	<u>\$ 315,820</u>	<u>\$ 448,127</u>	<u>\$ -</u>	<u>\$ 448,127</u>

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 17 - LESSEE DISCLOSURES

A. Lease Purchase Agreement - Governmental Activities

In a prior fiscal year the City entered into a lease purchase agreement for a street sweeper. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Lease payments are reflected as a liability on the statement of net assets. Principal payments in 2009 were \$13,566 and were made from the street, construction, maintenance and repair fund.

The asset acquired through the capital lease was as follows:

	Governmental activities
Property under lease purchase agreement	\$ 110,785
Less: accumulated depreciation	(11,079)
Total	\$ 99,706

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2009:

<u>Year Ending December 31,</u>	<u>Amount</u>
2010	\$ 19,215
2011	19,215
2012	19,215
2013	19,215
2014	19,215
2015	19,215
Total	115,290
Less: amount representing interest	(18,071)
Present value of net minimum lease payments	\$ 97,219

B. Lease Purchase Agreement - Business-Type Activities

During 2009 the City entered into lease purchase agreement for an ambulance. In a prior fiscal year the City entered into a lease purchase agreement for sewer equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Lease payments are reflected as a reduction of the liability in the enterprise funds. Principal payments in 2009 were \$25,909 and were made from the sewer fund.

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 17 - LESSEE DISCLOSURES - (Continued)

The assets acquired through capital leases are as follows:

	Business-type activities
Property under lease purchase agreement	\$ 370,243
Less: accumulated depreciation	(53,378)
Total	\$ 316,865

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2009:

Year Ending December 31,	Amount
2010	\$ 62,544
2011	62,545
2012	138,250
2013	27,910
2014	27,911
Total	319,160
Less: amount representing interest	(34,213)
Present value of net minimum lease payments	\$ 284,947

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.

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 19 - CONTINGENCIES - (Continued)

B. Federal and State Grants

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

NOTE 20 - CONTRACTUAL COMMITMENTS

As of December 31, 2009, the City had the following contractual commitment outstanding:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid Through December 31, 2009</u>	<u>Remaining Contract Amount</u>
Page Excavating, Inc.	<u>\$ 358,631</u>	<u>\$ 291,520</u>	<u>\$ 67,111</u>

NOTE 21 - SUBSEQUENT EVENTS

On March 23, 2010, the City rolled over a portion of its sewer improvement notes (\$763,000). The notes were issued in the amount of \$763,000, at an interest rate of 5.125%, and have a maturity date of March 22, 2011.

SUPPLEMENTARY DATA

**CITY OF CRESTLINE, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(A) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASSED THROUGH THE OHIO DEPARTMENT OF DEVELOPMENT			
Community Development Block Grants/State's Program	14.228	A-C-08-110-1	\$ 333,873
Total Community Development Block Grants/State's Program			<u>333,873</u>
Total U.S. Department of Housing and Urban Development			<u>333,873</u>
U.S. DEPARTMENT OF TRANSPORTATION PASSED THROUGH THE OHIO DEPARTMENT OF TRANSPORTATION			
Highway Planning and Construction	20.205	77984	206,282
Total U.S. Department of Transportation			<u>206,282</u>
Total Federal Financial Assistance			<u>\$ 540,155</u>

(A) The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes activity of the City's federal award programs. The Schedule has been prepared on the cash basis of accounting.



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Crestline, Crawford County, Ohio, as of and for the year ended December 31, 2009, which collectively comprise the City of Crestline's basic financial statements and have issued our report thereon dated August 30, 2010. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of Crestline's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-COC-001 and 2009-COC-002 described in the accompanying schedule of findings and responses to be material weaknesses.

Members of Council and Mayor
City of Crestline

Compliance and Other Matters

As part of reasonably assuring whether the City of Crestline's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion 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 five instances of noncompliance or other matters reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and responses as items 2009-COC-003 through 2009-COC-007.

We also noted certain matters not requiring inclusion in this report that we reported to the City of Crestline's management in a separate letter dated August 30, 2010.

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

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



Julian & Grube, Inc.
August 30, 2010



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Compliance With Requirements Applicable to Its
Major Program and on Internal Control Over
Compliance in Accordance With OMB Circular A-133**

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

Compliance

We have audited the compliance of the City of Crestline, Crawford County, Ohio, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that apply to its major federal program for the year ended December 31, 2009. The summary of auditor's results section of the accompanying schedule of findings and responses identifies the City of Crestline's major federal program. The City of Crestline's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the City of Crestline's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City of Crestline's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Crestline's compliance with those requirements.

In our opinion, the City of Crestline complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2009.

Internal Control Over Compliance

The City of Crestline's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Crestline's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City of Crestline's internal control over compliance.

Members of Council and Mayor
City of Crestline

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the management, the City Council, federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

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

Julian & Grube, Inc.
August 30, 2010

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2009**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness reported for the major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Program's Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Program:	Community Development Block Grants/State's Program - CFDA #14.228
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2009**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2009-COC-001

Material Weakness – Audit Adjustments

The City is required to provide financial statements free of material misstatements.

The City’s financial statements required the following audit adjustments:

General Fund: Increase of fund balance in the amount of \$10,380 due to improper recording of operating grants and local government distribution receipts.

Street Construction, Maintenance & Repair Fund: Increase of fund balance in the amount of \$8,085 due to improper recording of gasoline tax receipts received from the county. Reclassification of receipts in the amount of \$46,636 from miscellaneous receipts to intergovernmental receipts relating to reimbursements from the County Auditor.

State Highway Fund: Increase of fund balance in the amount of \$656 due to improper recording of gasoline tax receipts received from the county.

Capital Improvement Grants: Increase of fund balance in the amount of \$12,843 due to improper recording of franchise fee receipts. Reclassification of receipts in the amount of \$38,316 from miscellaneous receipts to franchise fees.

Ambulance Fund: Decrease in fund balance in the amount of \$1,433 due to improper recording of local government distribution receipts.

Mayors Court Fund (General Fund): Decrease in fund balance in the amount of \$30,531 due to improper posting of grant and franchise fee receipts as fines and forfeitures.

Water Fund: Reclassification of receipts from miscellaneous to capital grants and contributions in the amount of \$116,890.

The audited financial statements and client records have been adjusted for the above adjustments.

Improper posting of receipts could mislead Council and citizens during the year, in addition misrepresent individual fund balances and possibly misrepresent budget and planning reports.

We recommend the City implement additional internal controls over financial reporting to help ensure accurate financial reports throughout the year and at year end.

Client Response: The City strives to maintain accurate financial statements. The City had a change in City Auditors in January 2010. The current City Auditor is striving to ensure more accurate financial reporting than in 2009.

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2009**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2009-COC-002

Material Weakness – Bank Reconciliation

The City is required to have monthly bank reconciliations that reconcile the City’s bank accounts to a combined total of the City’s fund balances, with amounts identifiable.

While the City did maintain bank reconciliations for 2009, there were variances of unidentified differences on a monthly basis.

Without comprehensive reconciliations, the City might mispost transactions and/or misrepresent actual cash balances to the City Council for use with their budgeting decisions.

All adjusting entries have been recorded by the City.

We recommend the City Auditor prepare a comprehensive reconciliation on a monthly basis that accounts for all City deposits with all amounts identified.

Client Response: The current City Auditor re-reconciled 2009 on a monthly basis to a zero unidentified balance in 2010. All corrections necessary were posted to 2009.

Finding Number	2009-COC-003
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Ohio Revised Code Section 5705.36, in part, requires cities to certify to the County Auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The City certified balances and prior year encumbrances of General, Street Construction, Maintenance and Repair fund and Water funds on January 1, 2009 that did not agree to the audited financial reports for the fiscal year ended December 31, 2008.

The City is not accurately reflecting its various fund balances to the County Auditor for proper certification.

We recommend that the City consult the Ohio Compliance Supplement and its auditors to ensure that City fund balances agree to audited reports. This will enable the County Auditor to perform the proper certification with accurate information. This will in turn allow the City to properly appropriate funds within its available resources.

Client Response: The City Auditor has modified the procedure for certifying balances to the County Auditor to comply with the Ohio Revised Code. This change will be reflected in 2010.

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2009**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2009-COC-004

Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the expenditure of monies are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The City had 32% of expenditures tested that were not certified in a timely manner.

Without timely certification, the fiscal officer may expend more funds than available in the treasury or in the process of collection, or than funds appropriated. This could result in negative fund balances, non proper public purpose expenditures or unnecessary purchases.

We recommend that all orders or contracts involving the expenditure of monies be timely certified. This will ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. The fiscal officer should consider using “Then” and “Now” certificates where applicable.

Client Response: The City Auditor is working to certify expenditures more timely and making more use of “Then & Now” certificates.

Finding Number	2009-COC-005
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Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure must be made by Council resolution and comply with the same provisions of the law as used in making the original appropriations.

Expenditures exceed appropriations due to the City not timely or properly modifying its appropriations throughout the year.

By not timely and properly modifying the City’s appropriations, the City is not adequately monitoring it appropriations versus expenditures. With expenditures exceeding appropriations, overspending may occur which could result in negative fund balances.

We recommend that the City comply with Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations records and amending the appropriations prior to year end. In addition, the City should monitor its budgetary process on a regular basis and make amendments as necessary.

Client Response: The City Auditor is attempting to monitor the budget more closely.

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2009**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2009-COC-006

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

The City had expenditures exceeding appropriations in the following funds at December 31, 2009.

December 31, 2009

<u>Fund/Department/Object</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
General/Fire/Personal Services	\$ 397,952	\$ 334,457	\$ 63,495
Street/Transportation/Personal Services	128,220	115,893	12,327
Street/Transportation/Other Expenditures	701,014	299,123	401,891

With expenditures exceeding appropriations, the City is expending monies that have not been appropriated. This could result in unnecessary purchases or fund deficits.

We recommend that the City comply with 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 throughout the year.

Client Response: The City Auditor is attempting to monitor the budget more closely.

Finding Number	2009-COC-007
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Ohio Revised Code Section 5705.36 (A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

The City had appropriations greater than actual resources, in the following funds:

<u>Fund</u>	<u>Actual Resources</u>	<u>Appropriations</u>	<u>Excess</u>
2009 CHIP Grant	\$ 334,501	\$ 500,000	\$ 165,499
City Hall Capital Projects	13,476	44,500	31,024

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

We recommend the City monitor appropriations in comparison to actual resources and obtain decreased amended appropriations as needed. Further guidance may be found in Auditor of State Bulletin 97-010.

Client Response: The City is attempting to monitor the budget more closely.

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2009**

3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS

None.

**CITY OF CRESTLINE
CRAWFORD COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2008-COC-001	Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the disbursement of monies are to be made unless there is a certificate of the Fiscal Officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.	No	Repeated as finding 2009-COC-004



Mary Taylor, CPA
Auditor of State

CITY OF CRESTLINE

CRAWFORD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 30, 2010**