

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

CASH BASIS BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2016

MARC MILLIRON, VILLAGE ADMINISTRATOR



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Crestline, Crawford County, prepared by Bastin & Company, LLC, for the audit period January 1, 2016 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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Dave Yost
Auditor of State

August 11, 2017

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**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

**CASH BASIS BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

TABLE OF CONTENTS

Independent Auditor’s Report	2
Management’s Discussion and Analysis	3 - 14
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position - Cash Basis	15
Statement of Activities - Cash Basis.....	16 - 17
Fund Financial Statements:	
Statement of Assets and Fund Cash Balances - Cash Basis - Governmental Funds	18
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - Cash Basis - Governmental Funds	19
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance - Budget and Actual - Budgetary Basis -	
General Fund	20
Street Construction, Maintenance and Repair Fund	21
Police and Fire Levy Fund.....	22
Statement of Net Position - Cash Basis - Proprietary Funds	23
Statement of Cash Receipts, Cash Disbursements and Changes in Net Cash Position - Cash Basis - Proprietary Funds.....	24
Statement of Net Position - Cash Basis - Fiduciary Fund.....	25
Statement of Cash Additions, Cash Deductions and Changes in Net Cash Position - Fiduciary Fund.....	26
Notes to the Basic Financial Statements	27 - 52
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	53 - 54
Schedule of Findings	55
Schedule of Prior Audit Findings	56

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Bastin & Company, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Crestline, Crawford County, Ohio (the Village), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Crestline, Crawford County, Ohio, as of December 31, 2016, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund, Street Construction, Maintenance and Repair Fund and Police and Fire Levy Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Matters

Other Information

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2017, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
June 26, 2017

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED**

The management's discussion and analysis of the Village of Crestline's (the "Village") financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2016, within the limitations of the Village's cash basis of accounting. The intent of this discussion and analysis is to look at the Village's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Village's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- The total net cash position of the Village increased 936,129. The net cash position of governmental activities increased \$383,748 or 65.12% from 2015 and the net cash position of business-type activities increased \$552,381 or 38.20% from 2015.
- General cash receipts accounted for \$1,798,537 or 72.68% of total governmental activities cash receipts. Program specific cash receipts accounted for \$676,164 or 27.32% of total governmental activities cash receipts.
- The Village had \$2,069,988 in cash disbursements related to governmental activities; \$676,164 of these cash disbursements were offset by program specific charges for services, grants or contributions. The remaining cash disbursements of the governmental activities were offset by general cash receipts (primarily property taxes, income taxes, and unrestricted grants and entitlements) of \$1,798,537.
- The Village's major governmental funds include the general fund, the street construction, maintenance and repair fund and the police and fire levy fund. The general fund had cash receipts of \$1,475,552 and cash disbursements and transfers of \$1,395,696 in 2016. The fund cash balance of the general fund increased from \$343,884 to \$423,740.
- The street construction, maintenance and repair fund had cash receipts and transfers of \$326,044 and cash disbursements of \$213,785 in 2016. The fund cash balance of street construction, maintenance and repair fund increased from \$(69,444) to \$42,815.
- The police and fire levy fund had cash receipts and transfers of \$1,308,555 and cash disbursements of \$1,230,961 in 2016. The fund cash balance of the police and fire levy fund increased from \$213,142 to \$290,736.
- Net cash position for the business-type activities, which are composed of the water, sewer, and ambulance enterprise funds, increased from \$1,446,203 to \$1,998,584.

Using the Basic Financial Statements

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

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED

Report Components

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

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

Basis of Accounting

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

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

Reporting the Village as a Whole

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

The statement of net position - cash basis and the statement of activities - cash basis answer the question, "How did the Village perform financially during 2016?" These statements include only net cash position using the cash basis of accounting, which is a basis of accounting other than GAAP. This basis of accounting takes into account only the current year receipts and disbursements if the cash is actually received or paid.

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

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

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

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

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED

Fund Financial Statements

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

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

Governmental Funds

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

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the Basic Financial Statements

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

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED

Government-Wide Financial Analysis

The statement of net position - cash basis serves as a useful indicator of a government's financial position. The table below provides a summary of the Village's net cash position at December 31, 2016 and December 31, 2015.

	Net Cash Position					
	Governmental Activities 2016	Business-type Activities 2016	Governmental Activities 2015	Business-type Activities 2015	2016 Total	2015 Total
<u>Assets</u>						
Equity in pooled cash and cash equivalents	\$ 956,254	\$ 1,998,584	\$ 569,603	\$ 1,446,203	\$ 2,954,838	\$ 2,015,806
Cash in segregated accounts	<u>16,791</u>	<u>-</u>	<u>19,694</u>	<u>-</u>	<u>16,791</u>	<u>19,694</u>
Total assets	<u>973,045</u>	<u>1,998,584</u>	<u>589,297</u>	<u>1,446,203</u>	<u>2,971,629</u>	<u>2,035,500</u>
<u>Net cash position</u>						
Restricted	557,526	-	410,123	-	557,526	410,123
Unrestricted	<u>415,519</u>	<u>1,998,584</u>	<u>179,174</u>	<u>1,446,203</u>	<u>2,414,103</u>	<u>1,625,377</u>
Total net cash position	<u>\$ 973,045</u>	<u>\$ 1,998,584</u>	<u>\$ 589,297</u>	<u>\$ 1,446,203</u>	<u>\$ 2,971,629</u>	<u>\$ 2,035,500</u>

The total net cash position of the Village increased \$936,129. Net cash position of the governmental activities increased \$383,748 or 65.12% from 2015, and the net cash position of business-type activities increased \$552,381 or 38.20% from 2015.

At December 31, 2016, a portion of the Village's net cash position, \$557,526, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$2,414,103 may be used to meet the government's ongoing obligations to citizens and creditors.

The table on the following page shows the changes in net cash position for 2016 and 2015.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED**

Change in Net Cash Position

	Governmental	Business-type	Governmental	Business-type	2016 Total	2015 Total
	Activities	Activities	Activities	Activities		
	2016	2016	2015	2015		
Cash receipts:						
Program receipts:						
Charges for services	\$ 327,959	\$ 2,224,087	\$ 322,877	\$ 2,107,923	\$ 2,552,046	\$ 2,430,800
Operating grants and contributions	233,629	-	222,538	-	233,629	222,538
Capital grants and contributions	114,576	-	-	213,639	114,576	213,639
Total program receipts	<u>676,164</u>	<u>2,224,087</u>	<u>545,415</u>	<u>2,321,562</u>	<u>2,900,251</u>	<u>2,866,977</u>
General receipts:						
Property taxes	152,649	-	165,423	-	152,649	165,423
Income taxes	1,424,367	-	1,284,682	-	1,424,367	1,284,682
Unrestricted grants and entitlements	145,739	-	151,127	-	145,739	151,127
OWDA loan issuance	-	135,277	-	719,015	135,277	719,015
OPWC loan issuance	-	-	-	658,427	-	658,427
Investment earnings	14,689	-	10,019	-	14,689	10,019
Miscellaneous	61,093	27,734	94,334	19,741	88,827	114,075
Total general receipts	<u>1,798,537</u>	<u>163,011</u>	<u>1,705,585</u>	<u>1,397,183</u>	<u>1,961,548</u>	<u>3,102,768</u>
Total cash receipts	<u>2,474,701</u>	<u>2,387,098</u>	<u>2,251,000</u>	<u>3,718,745</u>	<u>4,861,799</u>	<u>5,969,745</u>
Cash disbursements:						
General government	269,069	-	272,218	-	269,069	272,218
Security of persons and property	1,242,205	-	1,176,681	-	1,242,205	1,176,681
Transportation	306,418	-	273,921	-	306,418	273,921
Community environment	29,305	-	22,774	-	29,305	22,774
Leisure time activity	91,970	-	74,468	-	91,970	74,468
Capital outlay	68,821	-	173,557	-	68,821	173,557
Other	-	-	16,544	-	-	16,544
Debt service:						
Principal retirement	52,751	-	70,420	-	52,751	70,420
Interest and fiscal charges	9,449	-	10,994	-	9,449	10,994
Water	-	631,224	-	1,127,609	631,224	1,127,609
Sewer	-	1,040,071	-	1,986,266	1,040,071	1,986,266
Ambulance	-	184,387	-	196,286	184,387	196,286
Total cash disbursements	<u>2,069,988</u>	<u>1,855,682</u>	<u>2,091,577</u>	<u>3,310,161</u>	<u>3,925,670</u>	<u>5,401,738</u>
Increase in net cash position before transfers	404,713	531,416	159,423	408,584	936,129	568,007
Transfers	<u>(20,965)</u>	<u>20,965</u>	<u>(20,965)</u>	<u>20,965</u>	<u>-</u>	<u>-</u>
Change in net cash position	383,748	552,381	138,458	429,549	936,129	568,007
Net cash position at beginning of year	<u>589,297</u>	<u>1,446,203</u>	<u>450,839</u>	<u>1,016,654</u>	<u>2,035,500</u>	<u>1,467,493</u>
Net cash position at end of year	<u>\$ 973,045</u>	<u>\$ 1,998,584</u>	<u>\$ 589,297</u>	<u>\$ 1,446,203</u>	<u>\$ 2,971,629</u>	<u>\$ 2,035,500</u>

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED

Governmental Activities

Governmental activities net cash position increased \$383,748 in 2016.

Security of persons and property disbursements primarily support the operations of the police and fire departments and totaled \$1,242,205 during 2016, accounting for 60.01% of total governmental activities cash disbursements. Security of persons and property cash disbursements were partially funded by direct charges to users of \$68,658.

General government cash disbursements totaled \$269,069. General government cash disbursements were partially funded by \$93,490 in direct charges to users of the services.

Transportation cash disbursements of \$306,418 were partially funded by direct charges to users of \$14,794, operating grants and contributions of \$227,335 and capital grants and contributions of \$67,701.

Community environment cash disbursements of \$29,305 were funded by \$56,743 in direct charges to users.

Leisure time activity cash disbursements of \$91,970 were funded by \$94,274 in direct charges to users, \$1,239 in operating grants and contributions and \$46,875 in capital grants and contributions.

The State and federal government contributed to the Village a total of \$233,629 in operating grants and contributions. These program cash receipts are restricted to a particular program or purpose. Of the total operating grants and contributions, \$227,335 subsidized transportation programs. Capital grants and contributions are used to fund capital improvements and amounted to \$114,576 during the year.

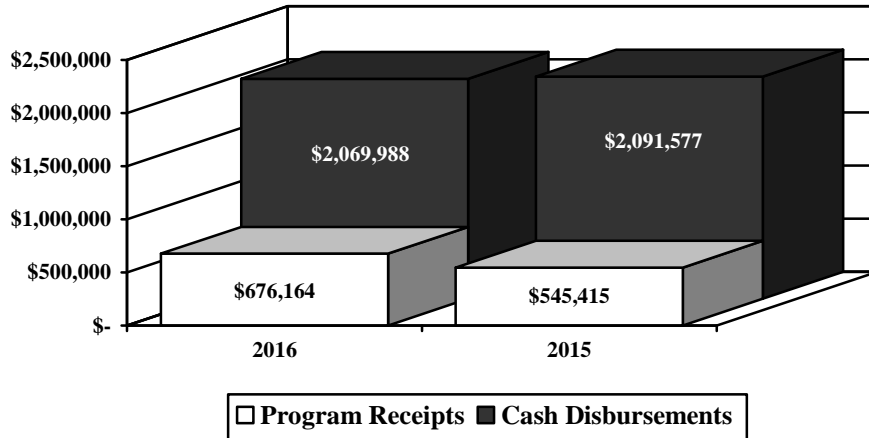
General cash receipts totaled \$1,798,537 or 72.68% of total governmental cash receipts. These cash receipts primarily consist of property and income tax receipts of \$1,577,016. The other primary source of general cash receipts are grants and entitlements not restricted to specific programs, including local government and homestead and rollback reimbursements, making up \$145,739.

The statement of activities - cash basis shows the cost of program services and the charges for services and grants offsetting those services. As can be seen in the graph on the following page, the Village is highly dependent upon general cash receipts (primarily property and income taxes as well as unrestricted grants and entitlements) to support its governmental activities. Program cash receipts were not sufficient to cover total governmental cash disbursements for 2016.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED

Governmental Activities - Program Receipts vs. Total Cash Disbursements



The following table shows, for the governmental activities, the total cost of services and the net cost of services for 2016 and 2015. That is, it identifies the cost of these services supported by tax receipts, unrestricted State grants and entitlements, and other general cash receipts.

	Governmental Activities			
	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
	<u>2016</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
Cash disbursements:				
General government	\$ 269,069	\$ 175,579	\$ 272,218	\$ 167,078
Security of persons and property	1,242,205	1,172,132	1,176,681	1,107,587
Transportation	306,418	(3,412)	273,921	45,293
Community environment	29,305	(31,078)	22,774	(37,477)
Leisure time activity	91,970	(50,418)	74,468	(7,834)
Capital outlay	68,821	68,821	173,557	173,557
Other	-	-	16,544	16,544
Debt service:				
Principal retirement	52,751	52,751	70,420	70,420
Interest and fiscal charges	9,449	9,449	10,994	10,994
Total	<u>\$ 2,069,988</u>	<u>\$ 1,393,824</u>	<u>\$ 2,091,577</u>	<u>\$ 1,546,162</u>

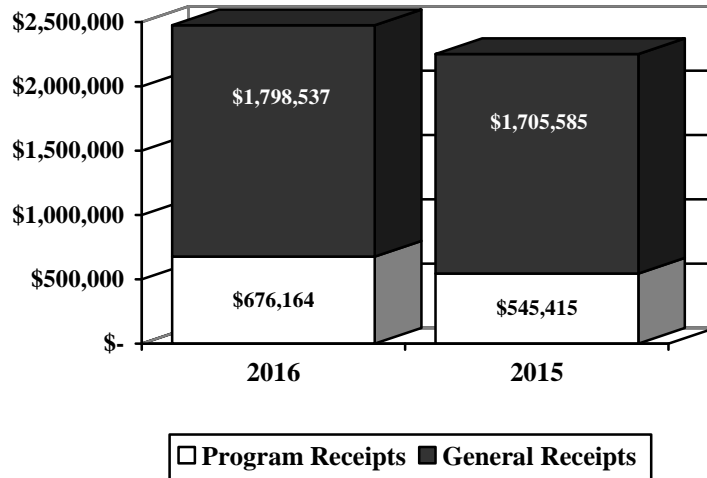
The dependence upon general cash receipts for governmental activities is apparent, with 67.33% of cash disbursements supported through taxes and other general cash receipts.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED

The chart below illustrates the Village's program cash receipts versus general cash receipts for 2016 and 2015.

Governmental Activities - General and Program Receipts



Business-type Activities

Business-type activities include the water, sewer, and ambulance enterprise funds. These programs had program cash receipts of \$2,224,087, general cash receipts of \$163,011, transfers in of \$20,965 and cash disbursements of \$1,855,682 during 2016. The net cash position of these programs increased \$552,381 from 2015.

Financial Analysis of the Government's Funds

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

Governmental Funds

The Village's governmental funds reported a combined fund cash balance of \$973,045, which represents an increase of \$383,748 compared to the prior year.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED

The schedule below indicates the fund cash balances and the total change in fund cash balances as of December 31, 2016 and December 31, 2015 for all major and nonmajor governmental funds.

	Fund Cash Balances <u>12/31/2016</u>	Fund Cash Balances (Deficit) <u>12/31/2015</u>	Increase/ (Decrease) <u></u>
Major funds:			
General	\$ 423,740	\$ 343,884	\$ 79,856
Street construction, maintenance and repair	42,815	(69,444)	112,259
Police and fire levy	290,736	213,142	77,594
Nonmajor governmental funds	<u>215,754</u>	<u>101,715</u>	<u>114,039</u>
Total	<u>\$ 973,045</u>	<u>\$ 589,297</u>	<u>\$ 383,748</u>

General Fund

The Village's general fund cash balance increased \$79,856. The table that follows assists in illustrating the cash receipts of the general fund for 2016 and 2015.

	<u>2016 Amount</u>	<u>2015 Amount</u>	<u>Amount Change</u>	<u>Percentage Change</u>
<u>Cash receipts:</u>				
Taxes	\$ 1,076,440	\$ 1,007,672	\$ 68,768	6.82 %
Charges for services	96,115	98,243	(2,128)	(2.17) %
Licenses, permits and fees	56,743	56,420	323	0.57 %
Fines and forfeitures	79,322	89,077	(9,755)	(10.95) %
Intergovernmental	141,845	147,477	(5,632)	(3.82) %
Investment income	14,158	9,657	4,501	46.61 %
Other	<u>10,929</u>	<u>35,850</u>	<u>(24,921)</u>	<u>(69.51) %</u>
Total	<u>\$ 1,475,552</u>	<u>\$ 1,444,396</u>	<u>\$ 31,156</u>	<u>2.16 %</u>

Overall, cash receipts of the general fund increased \$31,156 or 2.16%, which is primarily a result of an increase in income tax receipts. Fines and forfeitures income decreased \$9,755 or 10.95% primarily due to a decrease in court fines in 2016. Investment income continued to increase due to rising interest rates and higher cash balances held in interest-bearing accounts. The decrease in other cash receipts is due to a decline in various refunds and reimbursements.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED

The table that follows assists in illustrating the cash disbursements of the general fund for 2016 and 2015.

	<u>2016 Amount</u>	<u>2015 Amount</u>	<u>Amount Change</u>	<u>Percentage Change</u>
<u>Cash disbursements:</u>				
General government	\$ 269,069	\$ 272,218	\$ (3,149)	(1.16) %
Security of persons and property	140	766,732	(766,592)	(99.98) %
Transportation	44,376	-	44,376	100.00 %
Community environment	29,305	22,774	6,531	28.68 %
Leisure time activity	36,896	25,933	10,963	42.27 %
Debt service	<u>6,710</u>	<u>6,710</u>	<u>-</u>	- %
Total	<u>\$ 386,496</u>	<u>\$ 1,094,367</u>	<u>\$ (707,871)</u>	(64.68) %

Overall, cash disbursements of the general fund decreased \$707,871 or 64.68%. This is mostly the result of a decrease in security of persons and property disbursements, due to the Village's police and fire operations being reported in the police and fire levy fund in 2016. Transportation disbursements for the general fund consist of costs associated with the Village's street lighting program which was established in 2016. Leisure time activity disbursements increased as a result of increased contracted services for the Village's parks and swimming pool departments.

Street Construction, Maintenance and Repair Fund

The street construction, maintenance and repair fund receives gasoline tax and motor vehicle tax money used for constructing, maintaining and repairing Village streets. The fund had cash receipts and transfers of \$326,044 and cash disbursements of \$213,785 in 2016. The fund cash balance of street construction, maintenance and repair fund increased from \$(69,444) to \$42,815.

Police and Fire Levy Fund

The police and fire levy fund accounts for a portion of municipal income taxes used for police and fire operations. The fund had cash receipts and transfers of \$1,308,555 and cash disbursements of \$1,230,961 in 2016. The fund cash balance of the police and fire levy fund increased from \$213,142 to \$290,736.

Proprietary Funds

The Village's enterprise funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. During 2016, the Village's proprietary funds had operating receipts of \$2,251,821, operating disbursements of \$1,289,217, nonoperating receipts of \$135,277 nonoperating disbursements of \$566,465, and capital contributions of \$20,965. The proprietary funds' net cash position increased in 2016 from \$1,446,203 to \$1,998,584.

Budgeting Highlights

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

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED**

Budgetary information is presented in the Village's financial statements for the general fund and the major special revenue funds; the street construction, maintenance and repair fund and the police and fire levy fund.

In the general fund, original budget cash receipts of \$1,293,840 were increased slightly to \$1,335,925 in the final budget. Actual budgetary basis receipts totaled \$1,394,962 which is \$59,037 (4.42%) higher than the final budget. Most of this positive variance is a result of income tax receipts that were higher than expected. Original budget appropriations (disbursements plus other financing uses) of \$1,135,071 were increased to \$1,347,251 in the final budget, mostly to account for additional transfers to the police and fire levy fund to finance operations. Actual budgetary basis disbursements totaled \$1,331,348 which is \$15,903 (1.18%) less than the final budget.

Capital Assets and Debt Administration

Capital Assets

The Village does not report capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The Village had cash disbursements for capital outlay of \$89,786 in the governmental activities and \$230,865 in the business-type activities during 2016.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED

Debt Administration

The Village does not report liabilities for long-term obligations in the accompanying basic financial statements, but does track the outstanding balances of all long-term debt in the notes to the basic financial statements. The Village had the following long-term obligations outstanding at December 31, 2016 and December 31, 2015.

	Governmental Activities	
	2016	2015
Lease purchase agreements	\$ 84,239	\$ 133,998
Police and fire pension	86,445	89,437
Total long-term obligations	\$ 170,684	\$ 223,435
	Business-type Activities	
	2016	2015
Sewer improvement bonds	\$ 321,700	\$ 421,200
Lease purchase agreement	250,090	317,603
OWDA loans	1,206,761	1,147,704
OPWC loans	970,620	1,026,090
Total long-term obligations	\$ 2,749,171	\$ 2,912,597

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

Economic Conditions and Outlook

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

The Village is located in Crawford County. Crawford County reported a non-seasonally adjusted unemployment rate of 5.3% in December 2016, compared to the 4.9% State average.

Income tax cash receipts experienced a healthy increase during 2016, which is a positive sign for the Village's economy. Property tax cash receipts are expected to remain consistent for the foreseeable future, as are the Village's overall cash disbursements. These economic factors were considered in preparing the Village's budget for 2017.

The Village's economic condition continued to stabilize in 2016, with nearly 13% less spending and a modest growth in the Village's income tax receipts. Also in 2016 the State Auditor's Office prepared a fiscal analysis in anticipation that the Village may be placed in one of three distressed levels of finance. The final outcome of the fiscal analysis stated that the Village will not be placed in any fiscal watch or emergency, and further that the outlook is positive for the Village.

Contacting the Village's Financial Management

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

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2016

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 956,254	\$ 1,998,584	\$ 2,954,838
Cash in segregated accounts.	16,791	-	16,791
Total assets	<u>\$ 973,045</u>	<u>\$ 1,998,584</u>	<u>\$ 2,971,629</u>
Net cash position:			
Restricted for:			
Capital projects	\$ 20,490	\$ -	\$ 20,490
Debt service	17,919	-	17,919
Transportation projects	97,541	-	97,541
Community environment programs	51,985	-	51,985
Police and fire pension	290,736	-	290,736
Other purposes.	78,855	-	78,855
Unrestricted	<u>415,519</u>	<u>1,998,584</u>	<u>2,414,103</u>
Total net cash position	<u>\$ 973,045</u>	<u>\$ 1,998,584</u>	<u>\$ 2,971,629</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Cash Disbursements	Program Cash Receipts		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government.	\$ 269,069	\$ 93,490	\$ -	\$ -
Security of persons and property	1,242,205	68,658	1,415	-
Transportation.	306,418	14,794	227,335	67,701
Community environment	29,305	56,743	3,640	-
Leisure time activity.	91,970	94,274	1,239	46,875
Capital outlay	68,821	-	-	-
Debt service:				
Principal retirement.	52,751	-	-	-
Interest and fiscal charges.	9,449	-	-	-
Total governmental activities	<u>2,069,988</u>	<u>327,959</u>	<u>233,629</u>	<u>114,576</u>
Business-type activities:				
Water.	631,224	1,014,183	-	-
Sewer.	1,040,071	1,009,716	-	-
Ambulance.	184,387	200,188	-	-
Total business-type activities	<u>1,855,682</u>	<u>2,224,087</u>	<u>-</u>	<u>-</u>
Totals.	<u>\$ 3,925,670</u>	<u>\$ 2,552,046</u>	<u>\$ 233,629</u>	<u>\$ 114,576</u>

General cash receipts:

Property taxes levied for:	
General purposes	
Police pension.	
Fire pension.	
Income taxes levied for:	
General purposes	
Police and fire levy.	
Street construction and maintenance.	
Capital improvements.	
Grants and entitlements not restricted to specific programs	
OWDA loan issuance	
Investment earnings	
Miscellaneous	
Total general cash receipts	
Transfers	
Total general revenues and transfers.	
Change in net cash position	
Net cash position at beginning of year	
Net cash position at end of year.	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (175,579)	\$ -	\$ (175,579)
(1,172,132)	-	(1,172,132)
3,412	-	3,412
31,078	-	31,078
50,418	-	50,418
(68,821)	-	(68,821)
(52,751)	-	(52,751)
(9,449)	-	(9,449)
<u>(1,393,824)</u>	<u>-</u>	<u>(1,393,824)</u>
-	382,959	382,959
-	(30,355)	(30,355)
-	15,801	15,801
<u>-</u>	<u>368,405</u>	<u>368,405</u>
<u>(1,393,824)</u>	<u>368,405</u>	<u>(1,025,419)</u>
129,491	-	129,491
11,579	-	11,579
11,579	-	11,579
946,949	-	946,949
336,210	-	336,210
90,777	-	90,777
50,431	-	50,431
145,739	-	145,739
-	135,277	135,277
14,689	-	14,689
61,093	27,734	88,827
<u>1,798,537</u>	<u>163,011</u>	<u>1,961,548</u>
<u>(20,965)</u>	<u>20,965</u>	<u>-</u>
<u>1,777,572</u>	<u>183,976</u>	<u>1,961,548</u>
383,748	552,381	936,129
<u>589,297</u>	<u>1,446,203</u>	<u>2,035,500</u>
<u>\$ 973,045</u>	<u>\$ 1,998,584</u>	<u>\$ 2,971,629</u>

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

STATEMENT OF ASSETS AND FUND CASH BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	<u>General</u>	<u>Street Construction, Maintenance and Repair</u>	<u>Police and Fire Levy</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 409,895	\$ 42,815	\$ 290,736	\$ 212,808	\$ 956,254
Cash in segregated accounts	13,845	-	-	2,946	16,791
Total assets	<u>\$ 423,740</u>	<u>\$ 42,815</u>	<u>\$ 290,736</u>	<u>\$ 215,754</u>	<u>\$ 973,045</u>
Fund cash balances:					
Nonspendable	\$ 12,550		\$ -	\$ -	\$ 12,550
Restricted	-	42,815	290,736	223,975	557,526
Committed	-	-	-	33,898	33,898
Assigned	7,662	-	-	-	7,662
Unassigned (deficit)	<u>403,528</u>	<u>-</u>	<u>-</u>	<u>(42,119)</u>	<u>361,409</u>
Total fund cash balances	<u>\$ 423,740</u>	<u>\$ 42,815</u>	<u>\$ 290,736</u>	<u>\$ 215,754</u>	<u>\$ 973,045</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	General	Street Construction, Maintenance and Repair	Police and Fire Levy	Nonmajor Governmental Funds	Total Governmental Funds
Cash receipts:					
Municipal income taxes	\$ 946,949	\$ 90,777	\$ 336,210	\$ 50,431	\$ 1,424,367
Property and other taxes	129,491	-	-	23,158	152,649
Charges for services	96,115	-	-	64,475	160,590
Licenses, permits and fees	56,743	-	-	-	56,743
Fines and forfeitures	79,322	-	-	9,320	88,642
Intergovernmental	141,845	168,848	-	179,992	490,685
Special assessments	-	14,794	-	-	14,794
Investment income	14,158	1,239	-	2,301	17,698
Rental income	7,190	-	-	-	7,190
Contributions and donations	-	-	-	250	250
Other	3,739	3,186	20,345	21,193	48,463
Total cash receipts	<u>1,475,552</u>	<u>278,844</u>	<u>356,555</u>	<u>351,120</u>	<u>2,462,071</u>
Cash disbursements:					
Current:					
General government	269,069	-	-	-	269,069
Security of persons and property	140	-	1,207,187	34,878	1,242,205
Transportation	44,376	200,427	-	61,615	306,418
Community environment	29,305	-	-	-	29,305
Leisure time activity	36,896	-	-	55,074	91,970
Capital outlay	-	-	-	89,786	89,786
Debt service:					
Principal retirement	2,992	11,685	21,738	16,336	52,751
Interest and fiscal charges	3,718	1,673	2,036	2,022	9,449
Total cash disbursements	<u>386,496</u>	<u>213,785</u>	<u>1,230,961</u>	<u>259,711</u>	<u>2,090,953</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>1,089,056</u>	<u>65,059</u>	<u>(874,406)</u>	<u>91,409</u>	<u>371,118</u>
Other financing sources (uses):					
Proceeds from sale of assets	-	-	-	12,630	12,630
Transfers in	-	47,200	952,000	10,000	1,009,200
Transfers (out)	<u>(1,009,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,009,200)</u>
Total other financing sources (uses)	<u>(1,009,200)</u>	<u>47,200</u>	<u>952,000</u>	<u>22,630</u>	<u>12,630</u>
Net change in fund cash balances	79,856	112,259	77,594	114,039	383,748
Fund cash balances (deficit) at beginning of year	343,884	(69,444)	213,142	101,715	589,297
Fund cash balances at end of year	<u>\$ 423,740</u>	<u>\$ 42,815</u>	<u>\$ 290,736</u>	<u>\$ 215,754</u>	<u>\$ 973,045</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Budgetary basis receipts:				
Municipal income taxes	\$ 804,541	\$ 830,710	\$ 867,422	\$ 36,712
Property and other taxes	120,104	124,011	129,491	5,480
Charges for services	89,147	92,047	96,115	4,068
Licenses, permits and fees	52,630	54,342	56,743	2,401
Fines and forfeitures	73,572	75,965	79,322	3,357
Intergovernmental	131,563	135,842	141,845	6,003
Investment income	13,132	13,559	14,158	599
Rental income	6,669	6,886	7,190	304
Other	2,482	2,563	2,676	113
Total budgetary basis receipts	<u>1,293,840</u>	<u>1,335,925</u>	<u>1,394,962</u>	<u>59,037</u>
Budgetary basis disbursements:				
Current:				
General government	208,429	212,134	200,609	11,525
Security of persons and property	7,301	7,301	6,850	451
Transportation	50,000	50,000	47,720	2,280
Community environment	27,760	30,595	29,305	1,290
Leisure time activity	36,581	38,021	37,664	357
Total budgetary basis disbursements	<u>330,071</u>	<u>338,051</u>	<u>322,148</u>	<u>15,903</u>
Excess of budgetary basis receipts over budgetary basis disbursements	<u>963,769</u>	<u>997,874</u>	<u>1,072,814</u>	<u>74,940</u>
Other financing uses:				
Transfers (out)	(805,000)	(1,009,200)	(1,009,200)	-
Total other financing uses	<u>(805,000)</u>	<u>(1,009,200)</u>	<u>(1,009,200)</u>	<u>-</u>
Net change in fund cash balances	158,769	(11,326)	63,614	74,940
Fund cash balance at beginning of year	245,596	245,596	245,596	-
Prior year encumbrances appropriated	1,833	1,833	1,833	-
Fund cash balance at end of year	<u>\$ 406,198</u>	<u>\$ 236,103</u>	<u>\$ 311,043</u>	<u>\$ 74,940</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS
STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Budgetary basis receipts:				
Municipal income taxes	\$ 67,229	\$ 79,681	\$ 90,777	\$ 11,096
Intergovernmental.	125,047	148,208	168,848	20,640
Special assessments	10,957	12,986	14,794	1,808
Investment income.	918	1,088	1,239	151
Other	2,360	2,797	3,186	389
Total budgetary basis receipts	<u>206,511</u>	<u>244,760</u>	<u>278,844</u>	<u>34,084</u>
Budgetary basis disbursements:				
Current:				
Transportation	215,835	263,035	222,667	40,368
Total budgetary basis disbursements	<u>215,835</u>	<u>263,035</u>	<u>222,667</u>	<u>40,368</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements.	<u>(9,324)</u>	<u>(18,275)</u>	<u>56,177</u>	<u>74,452</u>
Other financing sources:				
Transfers in	34,957	41,431	47,200	5,769
Total other financing sources	<u>34,957</u>	<u>41,431</u>	<u>47,200</u>	<u>5,769</u>
Net change in fund cash balances	25,633	23,156	103,377	80,221
Fund cash balance (deficit) at beginning of year.	(73,739)	(73,739)	(73,739)	-
Prior year encumbrances appropriated	4,295	4,295	4,295	-
Fund cash balance (deficit) at end of year	<u>\$ (43,811)</u>	<u>\$ (46,288)</u>	<u>\$ 33,933</u>	<u>\$ 80,221</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
POLICE AND FIRE LEVY FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
Municipal income taxes	\$ 282,704	\$ 320,665	\$ 336,210	\$ 15,545
Other	17,107	19,404	20,345	941
Total budgetary basis receipts	<u>299,811</u>	<u>340,069</u>	<u>356,555</u>	<u>16,486</u>
Budgetary basis disbursements:				
Current:				
Security of persons and property	1,187,708	1,313,486	1,236,532	76,954
Total budgetary basis disbursements	<u>1,187,708</u>	<u>1,313,486</u>	<u>1,236,532</u>	<u>76,954</u>
Excess of budgetary basis disbursements over budgetary basis receipts.	<u>(887,897)</u>	<u>(973,417)</u>	<u>(879,977)</u>	<u>93,440</u>
Other financing sources:				
Transfers in	800,489	907,981	952,000	44,019
Total other financing sources	<u>800,489</u>	<u>907,981</u>	<u>952,000</u>	<u>44,019</u>
Net change in fund cash balances.	(87,408)	(65,436)	72,023	137,459
Fund cash balance at beginning of year.	211,240	211,240	211,240	-
Prior year encumbrances appropriated	1,902	1,902	1,902	-
Fund cash balance at end of year	<u>\$ 125,734</u>	<u>\$ 147,706</u>	<u>\$ 285,165</u>	<u>\$ 137,459</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2016

Business-type Activities - Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Nonmajor</u>	<u>Total</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,491,942	\$ 447,867	\$ 58,775	\$ 1,998,584
Total assets	<u>\$ 1,491,942</u>	<u>\$ 447,867</u>	<u>\$ 58,775</u>	<u>\$ 1,998,584</u>
Net cash position:				
Unrestricted	\$ 1,491,942	\$ 447,867	\$ 58,775	\$ 1,998,584
Total net cash position.	<u>\$ 1,491,942</u>	<u>\$ 447,867</u>	<u>\$ 58,775</u>	<u>\$ 1,998,584</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN NET CASH POSITION - CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Business-type Activities - Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Nonmajor</u>	<u>Total</u>
Operating receipts:				
Charges for services	\$ 1,014,183	\$ 1,009,716	\$ 200,188	\$ 2,224,087
Other	16,656	8,723	2,355	27,734
Total operating receipts.	<u>1,030,839</u>	<u>1,018,439</u>	<u>202,543</u>	<u>2,251,821</u>
Operating disbursements:				
Personal services	399,016	365,952	136,095	901,063
Contract services.	62,914	94,009	14,695	171,618
Materials and supplies.	28,123	27,485	11,975	67,583
Utilities	54,872	92,249	-	147,121
Other	587	588	657	1,832
Total operating disbursements.	<u>545,512</u>	<u>580,283</u>	<u>163,422</u>	<u>1,289,217</u>
Excess of operating receipts over operating disbursements.	<u>485,327</u>	<u>438,156</u>	<u>39,121</u>	<u>962,604</u>
Nonoperating receipts (disbursements):				
Capital outlay	(32,321)	(198,544)	-	(230,865)
Debt service:				
Principal retirement	(48,113)	(230,669)	(19,921)	(298,703)
Interest and fiscal charges	(5,278)	(30,575)	(1,044)	(36,897)
OWDA loan issuance	-	135,277	-	135,277
Total nonoperating receipts (disbursements).	<u>(85,712)</u>	<u>(324,511)</u>	<u>(20,965)</u>	<u>(431,188)</u>
Income (loss) before capital contributions.	399,615	113,645	18,156	531,416
Capital contributions.	<u>-</u>	<u>-</u>	<u>20,965</u>	<u>20,965</u>
Change in net cash position	399,615	113,645	39,121	552,381
Net cash position at beginning of year	<u>1,092,327</u>	<u>334,222</u>	<u>19,654</u>	<u>1,446,203</u>
Net cash position at end of year	<u>\$ 1,491,942</u>	<u>\$ 447,867</u>	<u>\$ 58,775</u>	<u>\$ 1,998,584</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS
FIDUCIARY FUND
DECEMBER 31, 2016

	<u>Private-Purpose Trust</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 14,805
Total assets	<u>14,805</u>
Net cash position:	
Held in trust for donations and scholarships.	<u>14,805</u>
Total net cash position	<u><u>\$ 14,805</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

STATEMENT OF CASH ADDITIONS, CASH DEDUCTIONS AND CHANGES IN NET CASH POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Private-Purpose Trust
Cash additions:	
Gifts and contributions	\$ 7,000
Total cash additions	7,000
Cash deductions:	
Donations and scholarships.	5,900
Total cash deductions.	5,900
Change in net cash position	1,100
Net cash position at beginning of year.	13,705
Net cash position at end of year	\$ 14,805

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1 - DESCRIPTION OF THE VILLAGE

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The Village's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". For financial reporting purposes, the Village's basic financial statements (BFS) include all funds, agencies, boards, commissions, and departments for which the Village is financially accountable. Financial accountability, as defined by the GASB, exists if the Village appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the Village. The Village may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed governing board that is fiscally dependent on the Village. The Village also took into consideration other organizations for which the nature and significance of their relationship with the Village are such that exclusion would cause the Village's basic financial statements to be misleading or incomplete. Based upon the application of these criteria, the Village has one component unit which is described below.

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

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

The Village obtained its risk management services from Risk Management, Inc. during 2016. This organization is further described in Note 9 to the basic financial statements.

B. Basis of Presentation

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

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

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

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

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

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

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

C. Fund Accounting

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

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

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

Street construction, maintenance and repair fund- This fund receives gasoline tax and motor vehicle tax money used for constructing, maintaining and repairing Village streets.

Police and fire levy fund- This fund accounts for a portion of municipal income taxes intended for police and fire operations.

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

Proprietary Funds - These funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. The Village has no internal service funds, but does report the operations of various enterprise 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 Village's major enterprise funds:

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

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

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

D. Basis of Accounting

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

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

E. Budgetary Process

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

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

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

F. Cash and Cash Equivalents

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

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

During 2016, the Village's investments were limited to negotiable certificates of deposit (CDs) and Federal National Mortgage Association (FNMA) securities. Investments are reported at cost. Investment procedures are restricted by provisions of the Ohio Revised Code. Interest receipts credited to the general fund during 2016 were \$14,158, including \$12,268 assigned from other Village funds. Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Capital Assets

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

H. Compensated Absences

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

I. Long-term Obligations

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

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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

J. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from grants or outside contributions of resources restricted to capital acquisition and construction. During 2016, the capital improvements fund (a nonmajor governmental fund) paid the ambulance lease debt obligation of \$20,965 for the ambulance fund (a nonmajor proprietary fund). This is shown as a capital contribution on the proprietary fund financial statements and a transfer on the government-wide financial statements.

K. Net Cash Position

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

L. Restricted Cash Assets

Cash assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted cash assets represent certain resources which are segregated from other resources of the Village to comply with various covenants established by bond financing agreements. These assets are generally held in separate accounts of the Village or by a trustee. The various covenants place restrictions on the use of these resources, require minimum balances to be maintained in certain accounts and establish annual amounts to be accumulated for specific purposes. The Village reported no restricted cash assets at December 31, 2016.

M. Employer Contributions to Cost-Sharing Pension Plans

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

N. Interfund Activity

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

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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

O. Inventories of Materials and Supplies

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

P. Prepaid Items

On the cash basis of accounting, payments made to vendors for services that will benefit periods beyond December 31, 2016 are recorded as disbursements when paid. These items are not reported as assets in the basic financial statements.

Q. Fund Cash Balance

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

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

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

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

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

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

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

R. Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2016.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2016, the Village has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 77, "Tax Abatement Disclosures", GASB Statement No. 78, "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans" and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the Village.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Village.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Village.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the Village.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the Village.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the Village.

B. Compliance

Contrary to Ohio Revised Code Section 5705.10(I), the Village had a cash deficit in the Capital Improvements Fund (a nonmajor governmental fund) at December 31, 2016.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The statements of cash receipts, cash disbursements and changes in fund cash balance - budget and actual (budgetary basis) presented for the general fund and the street construction, maintenance and repair fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a component of fund cash balance (cash basis) and some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budgetary basis). At December 31, 2016, the encumbrances outstanding at year end (budgetary basis) amounted to \$6,868 for the general fund, \$8,882 for the street construction, maintenance and repair fund, and \$5,571 for the police and fire levy fund. At December 31, 2016, funds included as part of the general fund (cash basis) had a total fund cash balance of \$105,829.

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

A. Cash on Hand

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

B. Cash in Segregated Accounts

At year end, the Village had \$13,845 deposited with financial institutions for monies related to the Mayor's Court and police auxiliary, which are reported as components of the Village's general fund. The remaining \$2,946 in cash in segregated accounts related to Drug Abuse Resistance Education (DARE) and police food in the nonmajor governmental funds on the basic financial statements. These amounts are included in the Village's depository balance below.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

C. Deposits with Financial Institutions

At December 31, 2016, the carrying amount of all Village deposits was \$1,994,445. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2016, \$1,767,399 of the Village’s bank balance of \$2,043,201 was exposed to custodial credit risk as discussed below, while \$275,802 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the Village’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 Village. The Village 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 Village to a successful claim by the FDIC.

D. Investments

As of December 31, 2016, the Village had the following investments and maturities:

<u>Investment type</u>	<u>Carrying Value</u>	<u>Investment Maturities</u>				
		<u>6 Months or Less</u>	<u>7 to 12 Months</u>	<u>13 to 18 Months</u>	<u>19 to 24 Months</u>	<u>Greater than 24 Months</u>
Federal agency securities	\$ 34,795	\$ 34,795	\$ -	\$ -	\$ -	\$ -
Negotiable CDs	956,194	132,582	251,101	472,070	-	100,441
Total	\$ 990,989	\$ 167,377	\$ 251,101	\$ 472,070	\$ -	\$ 100,441

The weighted average length to maturity of the investments at December 31, 2016 is 1.12 years.

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

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

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

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

Concentration of Credit Risk: The Village places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Village at December 31, 2016:

<u>Investment type</u>	<u>Carrying Value</u>	<u>% of Total</u>
Federal agency securities	\$ 34,795	3.51
Negotiable CDs	<u>956,194</u>	<u>96.49</u>
Total	<u>\$ 990,989</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the preceding note to cash and investments as reported on the statement of net cash position as of December 31, 2016:

Cash and investments per note

Carrying amount of deposits	\$ 1,994,445
Investments	990,989
Cash on hand	<u>1,000</u>
Total	<u>\$ 2,986,434</u>

Cash and investments per statement of net cash position

Governmental activities	\$ 973,045
Business-type activities	1,998,584
Private-purpose trust fund	<u>14,805</u>
Total	<u>\$ 2,986,434</u>

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 6 - MUNICIPAL INCOME TAXES

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

NOTE 7 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2016, consisted of the following, as reported in the fund financial statements:

<u>Transfers to</u>	<u>Transfers from</u>
	<u>General</u>
Street construction, maintenance and repair	\$ 47,200
Police and fire pension	952,000
Nonmajor governmental funds	10,000
Total	\$ 1,009,200

Transfers are made to use unrestricted revenues collected in the general fund to finance the operations of various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

NOTE 8 - PROPERTY TAXES

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

Public utility real property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 8 - PROPERTY TAXES - (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the Village of Crestline. The County Auditor periodically remits to the Village its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2016 and for which there is an enforceable legal claim. For 2016, the Village's financial statements are presented on the cash basis of accounting and therefore the Village does not record a receivable for property taxes either on a modified accrual or full accrual basis of accounting.

The full tax rate for all Village operations for the year ended December 31, 2016 was \$4.50 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2016 property tax receipts were based are as follows:

<u>Real property</u>		
Residential/agricultural	\$	34,396,740
Commercial/industrial/other		8,895,320
 <u>Personal property</u>		
Public utility		2,192,790
Total assessed value	\$	45,484,850

NOTE 9 - RISK MANAGEMENT

A. Comprehensive

The Village 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 2016, the Village contracted with The Ohio Plan, through Risk Management, Inc. to obtain insurance coverage for general liability, excess liability, wrongful acts, law enforcement, property, automobile, inland marine, and criminal liability. The Village has transferred risk of loss to the insurance carrier to the extent of the limits as follows:

<u>Type of Coverage</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:		
Per occurrence	\$3,000,000	\$0
Aggregate	5,000,000	0
Excess liability	3,000,000	0
Wrongful acts	3,000,000	1,000
Law enforcement	3,000,000	5,000
Property	16,155,176	1,000
Automobile	3,000,000	1,000
Inland marine	1,174,459	500
Criminal liability	50,000	0

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 9 - RISK MANAGEMENT - (Continued)

B. Employee Health Benefits

The Village provides employees with medical, dental, life, and vision insurance. As of December 31, 2016, medical insurance is provided by Anthem and dental, life, and vision insurance is provided by Guardian. The Village currently pays 90% of the premiums for medical insurance and 100% of the premiums for dental and life insurance. Vision insurance is optional, so the entire premium is to be paid by the employee. The risk of loss transfers entirely to the insurance carriers.

There has been no significant reduction in insurance coverage from 2015 and no insurance settlement has exceeded insurance coverage during the last three years.

NOTE 10 - PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - Village employees, other than full-time police and firefighters, participate 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 and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Village employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 10 - PENSION PLANS - (Continued)

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>
2016 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2016 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	<u>2.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 10 - PENSION PLANS - (Continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was \$113,283 for 2016.

B. Ohio Police & Fire Pension Fund

Plan Description - Village full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 10 - PENSION PLANS - (Continued)

	Police	Firefighters
2016 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:	12.25 %	12.25 %
2016 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50 %	0.50 %
Total Employer	19.50 %	24.00 %
Employee:	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF for police officers and firefighters was \$74,334 and \$62,096, respectively, for 2016.

NOTE 11 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

OPERS - Plan Description

OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care 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.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and combined Plan must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement 45. The Ohio revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 11 – POST-EMPLOYMENT BENEFIT PLAN - (Continued)

OPERS - Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2015, state and local employees contributed at a rate of 10% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employers units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan and Combined Plan was 2% during calendar year 2015.

The OPERS Board of Trustees 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. The Village's contributions allocated to fund post-employment health care for the years ended December 31, 2016, 2015, and 2014 were \$18,887, \$18,446 and \$17,923, respectively; 87.81% has been contributed for 2016 and 100% has been contributed for 2015 and 2014.

B. Ohio Police and Fire Pension Fund

OP&F - Plan Description

The Village contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care 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 or by visiting the website at www.op-f.org.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 11 – POST-EMPLOYMENT BENEFIT PLAN - (Continued)

Funding Policy

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2015, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The Village's contributions to OP&F which were allocated to fund post-employment health care benefits for police officers and firefighters were \$1,953 and \$1,319 for the year ended December 31, 2016, \$1,745 and \$1,383 for the year ended December 31, 2015, and \$1,700 and \$1,611, for the year ended December 31, 2014. 100% has been contributed for 2015 and 2014. 87.33% has been contributed for police and 88.05% has been contributed for firefighters for 2016.

NOTE 12 - COMPENSATED ABSENCES

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

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

Sick leave is earned at various rates as defined by Village policy. All employees with ten or more years of full-time service as a public employee, who elect to retire, are entitled to receive one-half of the value of their accumulated unused sick leave up to a maximum of 1,440 hours. Payments made in accordance with the Village's sick leave policy are based on the employees' rate of pay at the time of departure.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 13 - LONG-TERM OBLIGATIONS

The Village's long-term obligations activity for the year ended December 31, 2016, was as follows:

		Balance Outstanding <u>12/31/15</u>	<u>Issued</u>	<u>Retired</u>	Balance Outstanding <u>12/31/16</u>	Amount Due in <u>One Year</u>
Governmental activities:						
<u>Other long-term obligations</u>						
Lease purchase agreements payable		\$ 133,998	\$ -	\$ (49,759)	\$ 84,239	\$ 28,669
Police and fire pension liability		89,437	-	(2,992)	86,445	3,120
Total other long-term obligations		<u>223,435</u>	<u>-</u>	<u>(52,751)</u>	<u>170,684</u>	<u>31,789</u>
Total governmental activities long-term obligations		<u>\$ 223,435</u>	<u>\$ -</u>	<u>\$ (52,751)</u>	<u>\$ 170,684</u>	<u>\$ 31,789</u>
Business-type activities:						
<u>Bonds</u>						
Sewer improvement bonds series 2012	3.75%	\$ 421,200	\$ -	\$ (99,500)	\$ 321,700	\$ 103,300
Total bonds		<u>421,200</u>	<u>-</u>	<u>(99,500)</u>	<u>321,700</u>	<u>103,300</u>
<u>OWDA loans</u>						
Sewer planning	1.00%	19,907	-	(19,907)	-	-
Sewer sanitary improvements	1.00%	275,690	-	(14,955)	260,735	15,105
Bibich Ct. & Patterson St. sewer	1.00%	12,827	-	(3,159)	9,668	3,190
WWTP improvements	1.00%	688,389	-	(31,260)	657,129	-
Sewer separation phase II	1.00%	150,891	135,277	(6,939)	279,229	-
<u>OPWC loans</u>						
Wiley Street waterline replacement		93,513	-	(3,896)	89,617	3,896
West side storm sewer		241,249	-	(24,125)	217,124	24,125
Cloverdale Ave. sewer replacement		32,901	-	(2,861)	30,040	2,861
Countyline, Arnold St., Scott St. waterline		408,427	-	(4,167)	404,260	8,333
WWTP improvements phase I		250,000	-	(20,421)	229,579	20,421
Total loans		<u>2,173,794</u>	<u>135,277</u>	<u>(131,690)</u>	<u>2,177,381</u>	<u>77,931</u>
Lease purchase agreements payable		<u>317,603</u>	<u>-</u>	<u>(67,513)</u>	<u>250,090</u>	<u>49,317</u>
Total business-type activities long-term obligations		<u>\$ 2,912,597</u>	<u>\$ 135,277</u>	<u>\$ (298,703)</u>	<u>\$ 2,749,171</u>	<u>\$ 230,548</u>

Sewer Improvement Bonds

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

Lease Purchase Agreements

Lease purchase agreements will be paid from the fund that maintains custody of the related assets (See Note 13).

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

Police and Fire Pension Liability

The Village pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and fire personnel in 1967. The liability is payable semiannually from some combination of the general fund, police pension fund (a nonmajor governmental fund), and fire pension fund (a nonmajor governmental fund).

OPWC Loans

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

OWDA Loans

The Village has pledged future sewer fund receipts to repay Ohio Water Development Authority (OWDA) loans. The loans are payable solely from sewer fund receipts and are payable through 2046. Annual principal and interest payments on the loans are expected to require 19.98 percent of net receipts and 8.60 percent of total receipts. The total principal remaining to be paid on the loans is \$1,206,761. The WWTP Improvements loan and the Sewer Separation Phase II loan do not currently include finalized amortization schedules and therefore future interest payments on the loans are undeterminable as of December 31, 2016. Principal and interest paid for the current year was \$87,549, total net receipts were \$438,156, and total operating receipts were \$1,018,439.

Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the Village's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the Village's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2016, the Village's total debt margin was \$4,793,828 and the unvoted debt margin was \$2,501,667.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

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

Year Ending December 31,	Governmental Activities			Business-Type Activities		
	Police and Fire Pension			Sewer Improvement Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 3,120	\$ 3,589	\$ 6,709	\$ 103,300	\$ 10,122	\$ 113,422
2018	3,255	3,455	6,710	107,200	6,174	113,374
2019	3,394	3,316	6,710	111,200	2,079	113,279
2020	3,540	3,170	6,710	-	-	-
2021	3,692	3,017	6,709	-	-	-
2022 - 2026	20,980	12,567	33,547	-	-	-
2027 - 2031	25,890	7,657	33,547	-	-	-
2032 - 2035	22,574	3,963	26,537	-	-	-
Total	\$ 86,445	\$ 40,734	\$ 127,179	\$ 321,700	\$ 18,375	\$ 340,075

Year Ending December 31,	Business-type Activities					
	OPWC Loans			OWDA Loans		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 59,636	\$ -	\$ 59,636	\$ 18,295	\$ 2,658	\$ 20,953
2018	59,637	-	59,637	18,479	2,475	20,954
2019	59,637	-	59,637	18,666	2,290	20,956
2020	59,637	-	59,637	15,564	2,111	17,675
2021	59,637	-	59,637	15,720	1,955	17,675
2022 - 2026	274,060	-	274,060	80,997	7,378	88,375
2027 - 2031	164,686	-	164,686	85,139	3,236	88,375
2032 - 2036	142,834	-	142,834	17,543	132	17,675
2037 - 2041	53,356	-	53,356	-	-	-
2042 - 2046	37,500	-	37,500	-	-	-
Total	\$ 970,620	\$ -	\$ 970,620	\$ 270,403	\$ 22,235	\$ 292,638

The Village's OWDA loans do not include finalized amortization schedules for Sewer Separation Phase II loan and the WWTP Improvements loan.

NOTE 14 - LESSEE DISCLOSURES

A. Lease Purchase Agreements - Governmental Activities

In prior years, the Village entered into lease purchase agreements for police cruisers, a street sweeper, a snow plow, and two boilers. These leases meet the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Principal payments in 2016 included \$22,115 made on the police cruisers lease from the Mayor's Court capital projects fund (a nonmajor governmental fund) and the police and fire levy fund, \$4,274 made on the boiler lease from the police and fire levy fund, and \$23,370 made on the snow truck lease from the capital improvements fund (a nonmajor governmental fund) and the street construction, maintenance and repair fund.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 14 - LESSEE DISCLOSURES - (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2016:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 31,716
2018	31,716
2019	<u>26,716</u>
Total	<u>90,148</u>
Less: amount representing interest	<u>(5,909)</u>
Present value of net minimum lease payments	<u>\$ 84,239</u>

B. Lease Purchase Agreement - Business-type Activities

In prior years, the Village entered into a lease purchase agreement for an ambulance, a sewer cleaner, and two boilers. These leases meet the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Principal payments in 2016 included \$19,921 made on the ambulance lease from the capital improvements fund (a nonmajor governmental fund) on behalf of the ambulance fund (See Note 2.J for details), \$4,073 made on the boiler lease and \$43,519 made on the sewer cleaner lease, both of which were paid from the water and sewer funds.

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, 2016:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 58,148
2018	58,149
2019	53,383
2020	53,384
2021	<u>53,384</u>
Total	<u>276,448</u>
Less: amount representing interest	<u>(26,358)</u>
Present value of net minimum lease payments	<u>\$ 250,090</u>

NOTE 15 - FUND CASH BALANCE

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

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 15 - FUND CASH BALANCE - (Continued)

Fund cash balance	General	Construction, Maintenance and Repair	Police and Fire Levy	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Unclaimed monies	\$ 12,550	\$ -	\$ -	\$ -	\$ 12,550
Total nonspendable	<u>12,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,550</u>
Restricted:					
Capital projects	-	-	-	20,490	20,490
Debt service	-	-	-	17,919	17,919
Transportation projects	-	42,815	-	54,726	97,541
Security of persons and property	-	-	290,736	-	290,736
Community environment programs	-	-	-	51,985	51,985
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,855</u>	<u>78,855</u>
Total restricted	<u>-</u>	<u>42,815</u>	<u>290,736</u>	<u>223,975</u>	<u>557,526</u>
Committed:					
Capital projects	-	-	-	15,345	15,345
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,553</u>	<u>18,553</u>
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,898</u>	<u>33,898</u>
Assigned:					
General government	3,550	-	-	-	3,550
Transportation projects	3,344	-	-	-	3,344
Leisure time activities	<u>768</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>768</u>
Total assigned	<u>7,662</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,662</u>
Unassigned	403,528	-	-	(42,119)	361,409
Total fund cash balances	<u>\$ 423,740</u>	<u>\$ 42,815</u>	<u>\$ 290,736</u>	<u>\$ 215,754</u>	<u>\$ 973,045</u>

NOTE 16 - CONTINGENCIES

A. Litigation

At December 31, 2016, the Village was not involved in any lawsuits that would have a material adverse effect on the Village's financial position.

B. Federal and State Grants

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

Bastin & Company, LLC

Certified Public Accountants

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

Village of Crestline
Crawford County
10500 Reading Road
Crestline, Ohio 45241

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Crestline, Crawford County, (the Village) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated June 26, 2017, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-01.

Village's Response to Findings

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
June 26, 2017

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2016**

FINDING NUMBER 2016-01

Noncompliance - Negative Cash Balance

At December 31, 2016, the Village maintained a cash deficit of \$42,119 in the Capital Improvements Fund. Ohio Rev. Code § 5705.10(I) provides that money paid into any fund shall be used only for purposes for which such fund is established. A deficit cash balance indicates money from another fund has been used to pay the obligations of the aforementioned fund.

We recommend that the Village take steps to eliminate negative cash balances.

Village's Response

The Village is aware of the condition and is taking steps to correct the negative cash balance. During 2014 an analysis was performed to determine proper recording of income tax receipts and certain expenditures. Adjustments arising from that analysis resulted in adjustments to this fund causing the cash fund balance to be negative. The negative balance was reduced by over 60 percent during 2016. The Village continues to monitor activity to eliminate the negative balance.

**VILLAGE OF CRESTLINE
CRAWFORD COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016**

Finding Number	Finding Summary	Fully Corrected?	Status Explanation
2015-01	Noncompliance - Negative Cash Balances	No	Restated as finding 2016-01.
2015-02	Noncompliance - Certification of Fund Availability	Yes	Condition not applicable to this audit period.



Dave Yost • Auditor of State

VILLAGE OF CRESTLINE

CRAWFORD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 24, 2017