

**VILLAGE OF CRESTON
WAYNE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 - 2005



Mary Taylor, CPA

Auditor of State

Village Council
Village of Creston
100 North Main Street
Creston, Ohio 44217

We have reviewed the *Independent Accountants' Report* of the Village of Creston, Wayne County, prepared by Knox & Knox, CPAs, for the audit period January 1, 2005 through December 31, 2006. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Creston is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 17, 2008

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VILLAGE OF CRESTON
WAYNE COUNTY

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KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

Village of Creston
Wayne County
100 North Main Street
Creston OH 44217

To the Village Council:

We have audited the accompanying financial statements of the Village of Creston, Wayne County, Ohio, (the Village) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Village has prepared its financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. In addition to the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Creston, Wayne County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements and cash flows for the years then ended on the basis of accounting described in Note 1.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2007, 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. While we do not opine on the internal control over financial reporting or on compliance, that reports describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards*. You should read it in conjunction with this report in considering the results of our audit.

Knox & Knox

Orrville, Ohio
June 18, 2007

**VILLAGE OF CRESTON
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
CASH RECEIPTS:						
Property and Other Local Taxes	\$448,317	\$107,850				\$556,167
Intergovernmental Receipts	82,944	136,263				219,207
Charges for Services		22,215				22,215
Licenses, Permits, and Fees	12,797	1,130				13,927
Earnings on Investments	11,575				\$40	11,615
Miscellaneous	616	28,415				29,031
Total Cash Receipts	<u>556,249</u>	<u>295,873</u>			<u>40</u>	<u>852,162</u>
CASH DISBURSEMENTS:						
Current:						
Security of Persons & Property	7,984	239,518				247,502
Public Health Services	5,849	41,372				47,221
Leisure Time Activities		16,710				16,710
Community Environment	71	20,513				20,584
Transportation		77,891				77,891
General Government	321,433					321,433
Debt Service:						
Principal Payment	13,373		18,104			31,477
Interest Payments	7,063		4,393			11,456
Total Cash Disbursements	<u>355,773</u>	<u>396,004</u>	<u>22,497</u>			<u>774,274</u>
Total Cash Receipts Over/(Under) Cash Disbursements	200,476	(100,131)	(22,497)		40	77,888
OTHER FINANCING RECEIPTS AND (DISBURSEMENTS):						
Transfers-In		160,339	24,815			185,154
Transfers-Out	(235,154)					(235,154)
Total Other Financing Receipts and Disbursements	<u>(235,154)</u>	<u>160,339</u>	<u>24,815</u>			<u>(50,000)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(34,678)	60,208	2,318		40	27,888
Fund Cash Balances, January 1	<u>331,536</u>	<u>303,713</u>	<u>10,149</u>	<u>\$3,719</u>	<u>1,004</u>	<u>650,121</u>
FUND CASH BALANCES, DECEMBER 31	<u>\$296,858</u>	<u>\$363,921</u>	<u>\$12,467</u>	<u>\$3,719</u>	<u>\$1,044</u>	<u>\$678,009</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF CRESTON
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Proprietary Fund Type	Fiduciary Fund Type	Total
	Enterprise	Agency	(Memorandum Only)
OPERATING CASH RECEIPTS:			
Charges for Services	\$498,711	\$17,541	\$516,252
Miscellaneous	1,533		1,533
Total Cash Receipts	500,244	17,541	517,785
OPERATING CASH DISBURSEMENTS:			
Personal Services	151,738		151,738
Payments to Village		13,209	13,209
Payments to State		4,332	4,332
Supplies and Materials	116,759		116,759
Capital Outlay	193,563		193,563
Total Cash Disbursements	462,060	17,541	479,601
Operating Income	38,184		38,184
NON-OPERATING CASH RECEIPTS			
Other Debt Proceeds	117,884		117,884
Total Other Non-Operating Cash Receipts	117,884		117,884
NON-OPERATING CASH DISBURSEMENTS			
Debt Service			
Principal	151,489		151,489
Interest	59,195		59,195
Total Other Non-Operating Cash Disbursements	210,684		210,684
Excess of Receipts Over/(Under) Disbursements			
Before Interfund Transfers	(54,616)		(54,616)
Transfers-In	50,000		50,000
Net Receipts Over/(Under) Disbursements	(4,616)		(4,616)
Fund Cash Balances, January 1	765,262		765,262
FUND CASH BALANCES, DECEMBER 31	\$760,646		\$760,646

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF CRESTON
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
CASH RECEIPTS:						
Property and Other Local Taxes	\$426,454	\$104,768				\$531,222
Intergovernmental Receipts	84,331	123,758				208,089
Charges for Services		14,143				14,143
Licenses, Permits, and Fees	15,301	905				16,206
Earnings on Investments	10,111					10,111
Miscellaneous	2,056	39,650				41,706
Total Cash Receipts	538,253	283,224				821,477
CASH DISBURSEMENTS:						
Current:						
Security of Persons & Property	5,090	216,539				221,629
Public Health Services	5,766	47,971				53,737
Leisure Time Activities		19,995				19,995
Community Environment	472	4,314				4,786
Transportation		84,392				84,392
General Government	217,035					217,035
Debt Service:						
Principal Payment	12,975		\$17,693			30,668
Interest Payments	7,039		4,354			11,393
Capital Outlay	33,000	47,485		\$91,450	\$1,980	173,915
Total Cash Disbursements	281,377	420,696	22,047	91,450	1,980	817,550
Total Cash Receipts Over/(Under) Cash Disbursements	256,876	(137,472)	(22,047)	(91,450)	(1,980)	3,927
OTHER FINANCING RECEIPTS AND (DISBURSEMENTS):						
Transfers-In		160,403	24,784			185,187
Transfers-Out	(235,187)					(235,187)
Other Debt Proceeds				84,178		84,178
Total Other Financing Receipts and Disbursements	(235,187)	160,403	24,784	84,178		34,178
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	21,689	22,931	2,737	(7,272)	(1,980)	38,105
Fund Cash Balances, January 1	309,847	235,544	7,412	10,991	47,218	611,012
FUND CASH BALANCES, DECEMBER 31	\$331,536	\$258,475	\$10,149	\$3,719	\$45,238	\$649,117

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF CRESTON
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Proprietary Fund Type	Fiduciary Fund Types		Total (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
OPERATING CASH RECEIPTS:				
Charges for Services	\$507,744		\$19,606	\$527,350
Miscellaneous	6,427			6,427
Total Cash Receipts	514,171		19,606	533,777
OPERATING CASH DISBURSEMENTS:				
Personal Services	153,861			153,861
Payments to Village			15,697	15,697
Payments to State			3,909	3,909
Supplies and Materials	98,552			98,552
Capital Outlay	91,354			91,354
Total Cash Disbursements	343,767		19,606	363,373
Operating Income	170,404			170,404
NON-OPERATING CASH DISBURSEMENTS				
Debt Service				
Principal	157,081			157,081
Interest	55,930			55,930
Total Other Non-Operating Cash Disbursements	213,011			213,011
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(42,607)			(42,607)
Transfers-In	50,000			50,000
Net Receipts Over Disbursements	7,393			7,393
Fund Cash Balances, January 1	757,869	\$1,004		758,873
FUND CASH BALANCES, DECEMBER 31	\$765,262	\$1,004		\$766,266

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF CRESTON
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Creston, Wayne County, (the Village) is a body of corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, park operations (Leisure Time Activities), police services (Security of Persons and Property), and mayor's court.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are included in the fund cash balance. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit, and U.S. Treasury Notes are valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Police Fund - This fund receives property taxes for the funding of the police department.

**VILLAGE OF CRESTON
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting (continued)

3. Debt Service Fund

This debt service fund is used to accumulate resources for the payment of bond indebtedness. The Village had the following debt service fund:

Bond Retirement Fund - This fund is used to accumulate resources for the payment of the Police Station Loan.

4. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village has the following significant capital project fund:

Capital improvements - This fund is used to account for resources used to complete capital improvements or projects.

5. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village has the following Agency Fund:

Mayor's Court - This fund receives fines and costs from police tickets. Proceeds are distributed to State agencies and the Village's General Fund.

The Village has the following Nonexpendable Trust Fund:

Park Endowment Fund - Interest from the trust is used for the maintenance of the Village park (reclassified as a Permanent Fund in 2006).

**VILLAGE OF CRESTON
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Fiduciary Funds (Trust and Agency Funds) (continued)

The Village has the following Expendable Trust Fund:

Cemetery Trust Fund - Proceeds from this fund are used for cemetery land improvements (reclassified as a Special Revenue Fund in 2006).

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the department level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. There were no reserves for encumbrances at year-end in 2006 and 2005.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payment for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF CRESTON
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2006	2005
Demand deposits	\$1,193,655	\$1,170,383
Certificates of deposit	241,000	241,000
Total deposits	1,434,655	1,411,383
Investments	4,000	4,000
Total deposits and investments	\$1,438,655	\$1,415,383

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Village.

Investments: U.S. Treasury Notes are held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2006 and 2005 follows:

Fund Type	2006 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$480,000	\$556,249	\$76,249
Special Revenue	409,000	456,212	47,212
Debt Service	24,815	24,815	
Capital Projects		1,037,276	1,037,276
Enterprise	451,500	668,128	216,628
Permanent		40	40
Total	\$1,365,315	\$1,705,444	\$340,129

Fund Type	2006 Budgeted vs Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$669,510	\$590,927	\$78,583
Special Revenue	548,639	396,004	152,635
Debt Service	24,815	22,497	2,318
Enterprise	769,341	672,744	96,597
Total	\$2,012,305	\$1,682,172	\$330,133

**VILLAGE OF CRESTON
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

3. BUDGETARY ACTIVITY (continued)

Fund Type	2005 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$467,900	\$538,253	\$70,353
Special Revenue	410,795	443,627	32,832
Debt Service	24,815	24,784	(31)
Capital Projects	84,178	84,178	
Enterprise	480,500	564,171	83,671
Expendable Trust			
Nonexpendable Trust	90		(90)
Total	\$1,468,278	\$1,655,013	\$186,735

Fund Type	2005 Budgeted vs Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$554,849	\$516,564	\$38,285
Special Revenue	554,010	420,696	133,314
Debt Service	24,815	22,047	2,768
Capital Projects	91,450	91,450	
Enterprise	774,000	556,778	217,222
Expendable Trust	10,000	1,980	8,020
Total	\$2,009,124	\$1,609,515	\$399,609

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half is due the following June 20

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**VILLAGE OF CRESTON
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

5. LOCAL INCOME TAX

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

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. The income tax was repealed in 2006.

6. DEBT

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission	\$404,833	0.00%
Ohio Water Development Authority Loan	174,824	8.09%
Promissory Note - Water Tower Construction	214,682	7.50%
Promissory Note - Waterline Replacement	28,633	7.00%
Police Station Loan	37,574	6.00%
Hughes Property Loan	141,897	5.00%
Community Center Loan	239,165	4.25%
	<u>\$1,241,608</u>	

The Village obtained three Ohio Public Works Commission (OPWC) project loans in the amounts of \$47,000, \$43,410, and \$231,827. The loans were used to finance a water treatment plant improvement project, an ultraviolet disinfection system project and a waterline replacement project respectively. These loans will be repaid in semiannual installments with no interest over 20 years.

In 2003, the Village obtained a loan from OPWC for a waterline replacement project in the amount of \$78,576 to be repaid in semiannual installments with no interest over 20 years.

In 2006, the Village obtained a loan from OPWC for a telemetering project, in the amount of \$117,884 to be repaid semiannual installments over 20 years.

In 2003, the Village obtained a loan in the amount of \$150,000 for the Hughes Property Project to be repaid in monthly installments with 5% per annum interest to be repaid over 30 years.

In 2003 and 2004, the Village obtained loans totaling \$165,760 for the Community Center Project with per annum interest of 4.25%. In 2005 the Village borrowed an additional \$84,178. The total loan requires interest only payments each year and matures in 2012.

The Ohio Water Development Authority (OWDA) loan relates to the expansion and upgrade of Wastewater Treatment Plant. The original loan amount was \$961,016. The loan will be repaid in semiannual installments of \$49,075, including interest, over 20 years.

**VILLAGE OF CRESTON
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

6. DEBT (continued)

Water Tower Construction Loan			
Year ending December 31:	Principal	Interest	Total
2007	\$48,138	\$18,606	\$66,744
2008	51,882	14,862	66,744
2009	56,014	10,730	66,744
2010	58,648	6,319	64,967
Total	<u>\$214,682</u>	<u>\$50,517</u>	<u>\$265,199</u>

Waterline Replacement Loan			
Year ending December 31:	Principal	Interest	Total
2007	\$19,586	\$1,402	\$20,988
2008	9,047	167	9,214
Total	<u>\$28,633</u>	<u>\$1,569</u>	<u>\$30,202</u>

Police Station Loan			
Year ending December 31:	Principal	Interest	Total
2007	\$18,225	\$1,759	\$19,984
2008	19,349	635	19,984
Total	<u>\$37,574</u>	<u>\$2,394</u>	<u>\$39,968</u>

Hughes Property Loan			
Year ending December 31:	Principal	Interest	Total
2007	\$2,624	\$7,039	\$9,663
2008	2,759	6,904	9,663
2009	2,900	6,763	9,663
2010	3,048	6,615	9,663
2011	3,204	6,459	9,663
2012-2016	18,653	29,661	48,314
2017-2021	23,939	24,375	48,314
2022-2026	30,722	17,592	48,314
2027-2031	39,428	8,886	48,314
2032-2032	14,620	679	15,299
Total	<u>\$141,897</u>	<u>\$114,973</u>	<u>\$256,870</u>

**VILLAGE OF CRESTON
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

6. DEBT (continued)

Year ending December 31:	Community Center Loan		
	Principal	Interest	Total
2007		\$10,762	\$10,762
2008		10,762	10,762
2009		10,762	10,762
2010		10,762	10,762
2011		10,762	10,762
2012	\$239,165	10,762	249,927
Total	\$239,165	\$64,572	\$303,737

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contributions rates are also prescribed by the Ohio Revised Code. For 2006 and 2005, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed Contribution rates are also prescribed by the Ohio Revised Code. For 2006 and 2005, members contributed 9.0% and 8.5% of their gross salaries, respectively. The Village contributed an amount equal to 13.7% (2006) and 13.55% (2005) of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Law enforcement liability;
- Public officials' liability;
- Errors and omissions.

9. CONTINGENT LIABILITIES

The Village has been a defendant in several lawsuits. The cases have been determined, however, one case is subject to appeal. The outcome, if appealed, is indeterminable.

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KNOX & KNOX

Accountants and Consultants

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL
AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Creston
Wayne County
100 North Main Street
Creston, Ohio 44217

To the Village Council:

We have audited the accompanying financial statements of Village of Creston, Wayne County, Ohio (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 18, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Village's internal control over financial reporting as basis for designing our audit procedures in order to express our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we did note other matters that we reported to the Village in a separate letter dated June 18, 2007.

COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether the Village's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards* .

We intend this report solely for the information and use of the audit committee, management, and members of Council. We intend it for no one other than these specified parties.

KNOX & KNOX

Orrville, Ohio
June 18, 2007



Mary Taylor, CPA
Auditor of State

VILLAGE OF CRESTON

WAYNE 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
JANUARY 31, 2008**