



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF CRESTON  
WAYNE COUNTY

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Mary Taylor, CPA  
Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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**Mary Taylor, CPA**  
Auditor of State

August 11, 2009

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Creston  
Wayne County  
100 North Main Street  
Creston, Ohio 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, 2008 and 2007. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires 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 Villages 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, 2008 and 2007 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, 2008 and 2007, or its changes in financial position or cash flows, where applicable 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 and reserves for encumbrances of Village of Creston, Wayne County, Ohio, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 August 11, 2009, 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 did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

August 11, 2009



**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, 2008**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
<b>Cash Receipts:</b>						
Property and Local Taxes	\$75,566	\$101,083				\$176,649
Municipal Income Tax	153,328					153,328
Intergovernmental	169,877	155,721				325,598
Charges for Services		19,729				19,729
Fines, Licenses and Permits	8,520	184				8,704
Earnings on Investments	8,221	1,743			\$15	9,979
Miscellaneous	9,620	14,477				24,097
<b>Total Cash Receipts</b>	<b>425,132</b>	<b>292,937</b>			<b>15</b>	<b>718,084</b>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	12,322	180,279				192,601
Public Health Services	6,342	25,031				31,373
Leisure Time Activities		18,547				18,547
Community Environment	130	2,273				2,403
Transportation		86,398				86,398
General Government	182,106	1,949				184,055
Debt Service:						
Redemption of Principal		440	\$20,461			20,901
Interest and Fiscal Charges		10,118	2,248			12,366
Capital Outlay	20,421	13,733				34,154
<b>Total Cash Disbursements</b>	<b>221,321</b>	<b>338,768</b>	<b>22,709</b>			<b>582,798</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>203,811</b>	<b>(45,831)</b>	<b>(22,709)</b>		<b>15</b>	<b>135,286</b>
<b>Other Financing Receipts / (Disbursements):</b>						
Transfers-In		89,303	22,709			112,012
Transfers-Out	(113,512)					(113,512)
<b>Total Other Financing Receipts / (Disbursements)</b>	<b>(113,512)</b>	<b>89,303</b>	<b>22,709</b>			<b>(1,500)</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	90,299	43,472			15	133,786
Fund Cash Balances, January 1	275,290	367,521	12,622	\$3,719	1,084	660,236
<b>Fund Cash Balances, December 31</b>	<b>\$365,589</b>	<b>\$410,993</b>	<b>\$12,622</b>	<b>\$3,719</b>	<b>\$1,099</b>	<b>\$794,022</b>
Reserve for Encumbrances, December 31	\$121	\$650				\$771

*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 FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$553,363	\$11,180	\$564,543
Miscellaneous	730		730
Total Operating Cash Receipts	<u>554,093</u>	<u>11,180</u>	<u>565,273</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	87,125		87,125
Employee Fringe Benefits	45,029		45,029
Supplies and Materials	3,736		3,736
Other	112,491	11,180	123,671
Total Operating Cash Disbursements	<u>248,381</u>	<u>11,180</u>	<u>259,561</u>
Operating Income	<u>305,712</u>		<u>305,712</u>
<b>Non-Operating Cash Receipts:</b>			
Intergovernmental	186,097		186,097
Total Non-Operating Cash Receipts	<u>186,097</u>		<u>186,097</u>
<b>Non-Operating Cash Disbursements:</b>			
Capital Outlay	268,029		268,029
Redemption of Principal	216,103		216,103
Interest and Other Fiscal Charges	22,004		22,004
Total Non-Operating Cash Disbursements	<u>506,136</u>		<u>506,136</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(14,327)		(14,327)
Transfers-In	1,500		1,500
Net Receipts Over/(Under) Disbursements	(12,827)		(12,827)
Fund Cash Balances, January 1	744,887		744,887
<b>Fund Cash Balances, December 31</b>	<b><u>\$732,060</u></b>		<b><u>\$732,060</u></b>
Reserve for Encumbrances, December 31	<u>\$26,835</u>		<u>\$26,835</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 GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
<b>Cash Receipts:</b>						
Property and Local Taxes	\$76,717	\$104,692				\$181,409
Municipal Income Tax	155,411					155,411
Intergovernmental	94,497	159,165		\$91,127		344,789
Charges for Services		16,637				16,637
Fines, Licenses and Permits	8,089	218				8,307
Earnings on Investments	16,734	3,049			\$40	19,823
Miscellaneous	4,926	25,344				30,270
<b>Total Cash Receipts</b>	<b>356,374</b>	<b>309,105</b>		<b>91,127</b>	<b>40</b>	<b>756,646</b>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	11,144	210,128				221,272
Public Health Services	6,099	23,797				29,896
Leisure Time Activities		15,492				15,492
Community Environment	798	2,441				3,239
Transportation		88,279				88,279
General Government	242,383	2,814				245,197
Debt Service:						
Redemption of Principal		890	\$20,197			21,087
Interest and Fiscal Charges		10,118	4,463			14,581
Capital Outlay	41,963	2,286		91,127		135,376
<b>Total Cash Disbursements</b>	<b>302,387</b>	<b>356,245</b>	<b>24,660</b>	<b>91,127</b>		<b>774,419</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>53,987</b>	<b>(47,140)</b>	<b>(24,660)</b>		<b>40</b>	<b>(17,773)</b>
<b>Other Financing Receipts/(Disbursements):</b>						
Proceeds from Sale of Public Debt:						
Transfers-In		50,740	24,815			75,555
Transfers-Out	(75,555)					(75,555)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(75,555)</b>	<b>50,740</b>	<b>24,815</b>			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(21,568)	3,600	155		40	(17,773)
Fund Cash Balances, January 1	296,858	363,921	12,467	3,719	1,044	678,009
<b>Fund Cash Balances, December 31</b>	<b>\$275,290</b>	<b>\$367,521</b>	<b>\$12,622</b>	<b>\$3,719</b>	<b>\$1,084</b>	<b>\$660,236</b>
Reserve for Encumbrances, December 31	\$2,130	\$1,099				\$3,229

*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 FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$551,876	\$10,019	\$561,895
Miscellaneous	1,609		1,609
Total Operating Cash Receipts	<u>553,485</u>	<u>10,019</u>	<u>563,504</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	96,898		96,898
Employee Fringe Benefits	55,109		55,109
Supplies and Materials	4,330		4,330
Other	119,900	10,019	129,919
Total Operating Cash Disbursements	<u>276,237</u>	<u>10,019</u>	<u>286,256</u>
Operating Income	<u>277,248</u>		<u>277,248</u>
<b>Non-Operating Cash Receipts:</b>			
Intergovernmental	10,244		10,244
Sale of Fixed Assets	71,382		71,382
Total Non-Operating Cash Receipts	<u>81,626</u>		<u>81,626</u>
<b>Non-Operating Cash Disbursements:</b>			
Capital Outlay	93,356		93,356
Redemption of Principal	250,755		250,755
Interest and Other Fiscal Charges	30,522		30,522
Total Non-Operating Cash Disbursements	<u>374,633</u>		<u>374,633</u>
Net Receipts Under Disbursements	(15,759)		(15,759)
Fund Cash Balances, January 1	<u>760,646</u>		<u>760,646</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$744,887</u></b>	<b><u>\$0</u></b>	<b><u>\$744,887</u></b>
Reserve for Encumbrances, December 31	<u>\$65,675</u>	<u>\$0</u>	<u>\$65,675</u>

*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, 2008 AND 2007**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Creston, Wayne County, Ohio, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police and mayor's court services.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

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

The Village values certificates of deposit and U.S. Savings Bonds 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 reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose 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 and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

**VILLAGE OF CRESTON  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

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

**3. Debt Service Fund**

This fund accounts for resources the Village accumulates to pay bond and note debt. 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 Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital projects fund:

Other Capital Projects Fund – This fund is used to account for resources used to complete capital improvements or projects

**5. Permanent Funds**

This fund accounts for assets held under a trust agreement that is legally restricted to the extent that only earnings, not principal, are available to support the Village's programs. The Village had the following significant permanent fund:

Park Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Village's park.

**6. Enterprise Funds**

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

**VILLAGE OF CRESTON  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**7. Fiduciary Funds**

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's Mayor's Court agency fund accounts for fines and costs received from police tickets. Proceeds are distributed to State agencies and the Village's General Fund.

**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 fund, function or object level of control, and appropriations may not exceed estimated resources. The Village 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not report all encumbrances outstanding at year end as required by Ohio law.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**VILLAGE OF CRESTON  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**G. Accumulated Leave**

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

**2. Equity in Pooled Deposits and Investments**

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

	2008	2007
Demand deposits	\$1,285,081	\$1,160,124
Certificates of deposit	241,000	241,000
Total deposits	1,526,081	1,401,124
U.S. savings bonds	0	4,000
Total deposits and investments	\$1,526,081	\$1,405,124

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

**Investments:** The Federal Reserve holds the Village's U.S. Savings Bonds in book-entry form 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, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$176,300	\$425,132	\$248,832
Special Revenue	408,458	382,240	(26,218)
Debt Service	24,815	22,709	(2,106)
Capital Projects	3,720		(3,720)
Permanent	12	15	3
Enterprise	544,300	741,690	197,390
Total	\$1,157,605	\$1,571,786	\$414,181



**VILLAGE OF CRESTON  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**3. Budgetary Activity (Continued)**

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$417,323	\$334,954	\$82,369
Special Revenue	483,019	339,418	143,601
Debt Service	22,709	22,709	
Capital Projects	351,770		351,770
Enterprise	1,038,066	781,352	256,714
Total	<u>\$2,312,887</u>	<u>\$1,478,433</u>	<u>\$834,454</u>

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$498,300	\$356,374	(\$141,926)
Special Revenue	392,635	359,845	(32,790)
Debt Service	24,815	24,815	
Capital Projects	124,875	91,127	(33,748)
Permanent		40	40
Enterprise	554,800	635,111	80,311
Total	<u>\$1,595,425</u>	<u>\$1,467,312</u>	<u>(\$128,113)</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$516,647	\$380,072	\$136,575
Special Revenue	493,000	357,344	135,656
Debt Service	24,815	24,660	155
Capital Projects	124,875	91,127	33,748
Enterprise	976,000	716,545	259,455
Total	<u>\$2,135,337</u>	<u>\$1,569,748</u>	<u>\$565,589</u>

**4. Property Tax**

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

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

**VILLAGE OF CRESTON  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**4. Property Tax (Continued)**

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.

**5. Local Income Tax**

Effective February 4, 2008, the Village levied a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

**6. Debt**

Debt outstanding at December 31, 2008 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loans	\$341,657	0.00%
Ohio Water Development Authority Loan	56,581	3.95%
Promissory Note - Water Tower Construction	105,425	7.50%
Hughes Property Loan	61,183	5.00%
Police Station Loan	1,478	6.00%
Community Center Loan	237,696	4.25%
Skid Loader Capital Lease	20,972	5.27%
Total	\$824,992	

In 1997, the Village obtained a loan from the Ohio Public Works Commission (OPWC) for a water treatment plant improvement project in the amount of \$47,000 to be repaid in semiannual installments with no interest over 15 years.

In 1998, the Village obtained a loan from OPWC for an ultraviolet disinfection system project in the amount of \$32,155 to be repaid in semiannual installments with no interest over 15 years.

In 2003, the Village obtained a loan from OPWC for the North Main Street waterline replacement project in the amount of \$231,827 to be repaid in semiannual installments with no interest over 20 years.

In 2004, the Village obtained a loan from OPWC for the Burbank Street and Russell Avenue waterline replacement project in the amount of \$78,576 to be repaid in semiannual installments with no interest over 20 years.

In 2007, the Village obtained a loan from OPWC for a water and wastewater telemetering project, in the amount of \$101,371 to be repaid in semiannual installments with no interest over 20 years.

**VILLAGE OF CRESTON  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**6. Debt (Continued)**

In 2008, the Village obtained an Ohio Water Development Authority (OWDA) loan in the amount of \$81,235 for the installation of piers at the Wastewater Treatment Plant. The loan will be repaid in semiannual installments, including interest at a rate of 3.95%, over 5 years.

The Promissory Note relates to the water tower construction project. The original principal amount of the Water Tower Note was \$600,000 issued in 1995 and will be repaid in monthly installments of \$5,562, including interest at a rate of 7.5% over 16 years.

In 2003, the Village obtained a loan in the amount of \$150,000 for the Hughes Property Project. In 2007, the Village sold a portion of the Hughes Property and used the proceeds to reduce the outstanding principal on the loan. The loan will be repaid in monthly installments with 5% per annum interest to be repaid over 10 years.

The Police Station Loan relates to certain premises conveyed by Village residents for use by the Police Department. The original principal amount of the Police Station Loan was \$150,000 issued in 1998 and will be repaid in monthly installments of \$1,665, including interest at a rate of 6% over 10 years.

In 2004, the Village obtained an open end line of credit to borrow up to a maximum of \$250,000 at an interest rate of 4.25% which expires on May 30, 2009. This line of credit requires only monthly interest payments. After May 30, 2009 the interest rate increases to 6.25% on the unpaid balance until paid in full. Since this is an open end line of credit with no final maturity and no minimum principal payment requirements, future estimated payments are not reflected in the amortization schedule below.

In 2007, the Village entered into a capital lease agreement for the purchase of a skid loader. The original amount of the lease was \$25,576 and will be repaid in annual installments of \$5,952, including interest at a rate of 5.27% over 5 years.

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

Year ending December 31:	OPWC Loans	OWDA Loans	Promissory Note	Loans	Capital Lease
2009	\$25,866	\$29,687	\$66,745	\$10,267	\$5,952
2010	25,866	29,687	66,745	8,781	5,952
2011	25,866	4,631	51,643	8,781	5,952
2012	25,868			8,781	5,952
2013	21,659			8,781	
2014-2018	102,945			31,465	
2019-2023	91,359				
2024-2027	22,228				
Total	<u>\$341,657</u>	<u>\$64,005</u>	<u>\$185,133</u>	<u>\$76,856</u>	<u>\$23,808</u>

**VILLAGE OF CRESTON  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**7. Retirement Systems**

The Village's full-time Police Chief belongs to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OP&F participants contributed 10% of their wages. For 2008 and 2007, the Village contributed to OP&F an amount equal to 19.5% of full-time Police Chiefs' wages. For 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Village contributed an amount equaling 14% and 13.85%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

**8. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

**9. Contingent Liabilities**

Management believes there are no pending claims or lawsuits.

**10. Subsequent Events**

On April 15, 2009, bids were opened for the South Main Street Sanitary Sewer Improvements Project. The project is anticipated to cost \$382,718 with \$95,678 provided through an Ohio Public Works Commission Grant. The Village has applied for federal stimulus funding through the American Recovery and Reinvestment Act to fund the project. The remainder will be paid with local resources mainly tap-in fee charges to North Central Local School District.

On May 30, 2009, the Village issued \$239,163.38 Community Center Notes at an interest rate of 4.97% with final maturity of May 30, 2016. These notes were used to pay off the Community Center loan open-end line of credit.



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING 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 financial statements of the Village of Creston, Wayne County, Ohio, (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated August 11, 2009, 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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.

We consider findings 2008-001 and 2008-002 described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings 2008-001 and 2008-002 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated August 11, 2009.

### **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, 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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2008-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 11, 2009.

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

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



**Mary Taylor, CPA**  
Auditor of State

August 11, 2009

VILLAGE OF CRESTON  
WAYNE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-001

**Material Weakness**

**Proper Account Coding**

Our testing revealed numerous weaknesses with respect to the posting and reporting of various transactions. These weaknesses included, but were not limited to, the following:

- Personal property tax reimbursement and exemption revenue received from the State recorded as property tax revenue rather than intergovernmental revenue;
- Permissive tax reimbursement revenue recorded as miscellaneous revenue rather than intergovernmental revenue;
- Homestead and rollback revenue received from the State recorded as property tax revenue rather than intergovernmental revenue;
- Revenue from charges for cemetery foundation pouring and police vehicle towing, impounding and storage recorded as miscellaneous revenue rather than charges for services;
- Unrecorded Ohio Water Development Authority intergovernmental revenue and capital outlay expenditure transactions executed on behalf of the Village;
- Ohio Public Works Commission (OPWC) revenue recorded as miscellaneous revenue rather than intergovernmental revenue;
- Unrecorded OPWC intergovernmental revenue and capital outlay expenditure transactions executed on behalf of the Village;
- Unrecorded proceeds from the sale of assets and corresponding debt principal payments arising from the sale of a portion of the Hughes property;
- Various expense refunds/reimbursements recorded as miscellaneous revenue rather than reductions to the applicable expense code;
- Debt interest payments recorded as debt principal payments; and
- Capital lease interest and principal payments recorded as capital outlay expenditures.

These weaknesses resulted in 33 proposed audit adjustments of which 22 totaling \$430,116 were posted to the financial statements. The Village should take the necessary steps to ensure all transactions are accounted for and properly classified when posted to the Village's accounting system. To achieve this, the Clerk/Treasurer should review the Village Officers' Handbook and maintain a fund/account sheet which documents the specific accounts where each type of transaction should be posted.

**Officials' Response:** We have been made aware of the posting errors for the previous clerk's term and for the current clerk's term as well. We have taken the necessary steps to ensure all transactions will be posted correctly to the best of our ability moving forward.

**FINDING NUMBER 2008-002**

**Material Weakness**

**Posting Estimated Resources and Appropriations to Accounting System**

During 2008 and 2007, estimated revenues posted to the Village's computerized budgetary reports did not always agree to the most recent Amended Certificate of Estimated Resources for the dates and funds indicated below:

<u>Date</u>	<u>Fund No.</u>	<u>Fund Name</u>	<u>Amended Certificate</u>	<u>Village System</u>	<u>Variance</u>
12/31/2008	A1	General	\$176,300	\$165,400	\$10,900
12/31/2008	D4	Other Capital	3,720	351,770	(348,050)
6/30/2008	A1	General	176,300	165,400	10,900
12/31/2007	A1	General	498,300	489,200	9,100
12/31/2007	B8	Police	215,500	214,000	1,500
6/30/2007	A1	General	498,300	228,800	269,500
6/30/2007	B8	Police	215,500	200,300	15,200
6/30/2007	C1	Bond Retirement	24,815	4,500	20,315
6/30/2007	D4	Other Capital	124,875	351,770	(226,895)
6/30/2007	E1	Water	265,800	258,800	7,000

During 2008 and 2007, appropriations posted to the Village's computerized budgetary reports did not always agree to the Village's Annual Appropriation Measure plus appropriation amendments at the fund and fund-function-object levels indicated below:

<u>Date</u>	<u>Fund No.</u>	<u>Fund Name</u>	<u>Total Amount Available for Expenditure</u>	<u>Total per the Village System</u>	<u>Variance</u>
12/31/2008	A1	General	\$417,323	\$432,693	(\$15,370)
12/31/2008	D4	Other Capital		351,770	(351,770)
12/31/2008	E1	Water	463,525	450,000	13,525
6/30/2008	A1	General	417,323	432,693	(15,370)
6/30/2008	E1	Water	463,525	450,000	13,525
12/31/2007	A1	General	516,647	510,647	6,000
6/30/2007	A1	General	496,647	384,861	111,786
6/30/2007	B8	Police	230,000	174,300	55,700
6/30/2007	C1	Bond Retirement	24,815	4,391	20,424
6/30/2007	D4	Other Capital	124,875	351,770	(226,895)
6/30/2007	E1	Water	478,000	249,300	228,700



**FINDING NUMBER 2008-002 (Continued)**

	Line-Item	Line-Item	Total Amount	Total per	
Date	No.	Name	Available for	the Village	Variance
			Expenditure	System	
12/31/2008	A-A1-7-E240	Other Operation	\$79,986	\$85,000	(\$5,014)
12/31/2008	D-D4-7-A230	Other Capital Project		351,770	(351,770)
12/31/2008	E-E1-5-X250	Capital Outlay	189,675	177,000	12,675
6/30/2008	A-A1-7-E240	Other Operation	81,500	85,000	(3,500)
6/30/2008	E-E1-5-X250	Capital Outlay	189,675	177,000	12,675
12/31/2007	A-A1-7-E240	Other Operation	85,800	85,000	800
6/30/2007	A-A1-7-E240	Other Operation	85,800	90,000	(4,200)
6/30/2007	B-B8-1-A211	Wages	119,000	102,000	17,000
6/30/2007	C-C1-7-A261	Principal	19,628	2,928	16,701
6/30/2007	D-D4-7-A230	Other Capital Project	124,875	351,770	(226,895)
6/30/2007	E-E1-5-X250	Capital Outlay	200,000		200,000

Since budgeted amounts approved by Council have not been entered properly in the Village's computerized budgetary reports, when Council reviews these reports they may be making inaccurate financial decisions based on inaccurate budgeted amounts. In addition, there is an increased risk these inaccurate amounts may be erroneously entered in the Village's budgetary financial statements which could potentially misstate these financial statements.

The Clerk/Treasurer should periodically review the Village's computerized budgetary reports to ensure estimated revenue and appropriation amounts are posted accurately and timely.

**Officials' Response:** We were misguided as to the posting time to the County Auditor's office. We have take the necessary steps to correct this moving forward.

**FINDING NUMBER 2008-003**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.41(D)** requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the clerk/treasurer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's clerk/treasurer. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a clerk/treasurer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the clerk/treasurer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

**FINDING NUMBER 2008-003 (Continued)**

Amounts of less than \$3,000 may be paid by the clerk/treasurer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. **Blanket Certificate** – Clerk/Treasurers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the clerk/treasurer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During our testing of non-payroll expenditures for fiscal year 2008, we noted 3 out of 20 (15%) and during fiscal year 2007 we noted 9 out of 20 (45%) of expenditures tested were not properly certified. In all circumstances, the date of the invoice preceded the date of the purchase order and a “Then and Now” Certificate was not utilized.

The Clerk/Treasurer should ensure all funds are encumbered prior to incurring an obligation of the Village. If it is not possible for the Village to issue a purchase order prior to incurring an obligation, the Clerk/Treasurer should utilize a “Then and Now” Certificate. Failure to properly certify funds could lead to the Village incurring obligations it cannot pay. The Clerk/Treasurer should report amounts not expended from open purchase orders at year end as encumbrances on the financial statements filed with the Auditor of State.

**Officials’ Response:** We have been made aware of the purchase orders that should have been “Then and Now” certificates during the previous clerk’s term and for the current clerk’s term as well. We will do our best to ensure “Then and Now” certificates are utilized when needed.



**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  
SEPTEMBER 24, 2009**