



Dave Yost • Auditor of State

VILLAGE OF CRESTON
WAYNE COUNTY

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Dave Yost • 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 Village 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 12, 2011

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Dave Yost • 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, 2010 and 2009. 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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, 2010 and 2009 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, 2010 and 2009, 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 the Village of Creston, Wayne County, Ohio, as of December 31, 2010 and 2009, 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 October 12, 2011, 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.



Dave Yost
Auditor of State

October 12, 2011

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, 2010**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
Cash Receipts:						
Property and Local Taxes	\$92,400	\$99,488				\$191,888
Municipal Income Tax	190,551					190,551
Intergovernmental	124,884	143,959		\$162,759		431,602
Charges for Services		23,178		34,000		57,178
Fines, Licenses and Permits	13,131	6,056				19,187
Earnings on Investments	1,457	779				2,236
Miscellaneous	55,615	14,573				70,188
Total Cash Receipts	478,038	288,033		196,759		962,830
Cash Disbursements:						
Current:						
Security of Persons & Property	15,000	173,555				188,555
Public Health Services	7,086	3,021				10,107
Leisure Time Activities		13,258				13,258
Community Environment	32					32
Transportation		117,986				117,986
General Government	188,427					188,427
Capital Outlay	23,814	26,271		256,492		306,577
Debt Service:						
Principal Payment	3,065	17,275	\$3,065			23,405
Interest and Fiscal Charges	1,326	11,794	1,326			14,446
Total Cash Disbursements	238,750	363,160	4,391	256,492		862,793
Total Receipts Over/(Under) Disbursements	239,288	(75,127)	(4,391)	(59,733)		100,037
Other Financing Receipts/(Disbursements):						
Sale of Notes				52,443		52,443
Transfers-In		108,500	4,500			113,000
Transfers-Out	(113,000)					(113,000)
Other Financing Sources				36,570		36,570
Other Financing Uses	(2,832)					(2,832)
Total Other Financing Receipts/(Disbursements)	(115,832)	108,500	4,500	89,013		86,181
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	123,456	33,373	109	29,280		186,218
Fund Cash Balance, January 1	362,606	466,542	12,731	277,719	1,099	1,120,697
Fund Cash Balance, December 31	\$486,062	\$499,915	\$12,840	\$306,999	\$1,099	\$1,306,915
Reserve for Encumbrances, December 31		\$7,783		\$1,983		\$9,767

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, 2010**

	<u>Proprietary Fund</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$573,564		\$573,564
Fines, Licenses and Permits		\$23,998	23,998
Total Operating Cash Receipts	<u>573,564</u>	<u>23,998</u>	<u>597,562</u>
Operating Cash Disbursements:			
Current:			
Personal Services	104,406		104,406
Employee Fringe Benefits	47,710		47,710
Contractual Services	89,948		89,948
Supplies and Materials	54,144		54,144
Other		23,998	23,998
Total Operating Cash Disbursements	<u>296,208</u>	<u>23,998</u>	<u>320,206</u>
Operating Income/(Loss)	<u>277,356</u>		<u>277,356</u>
Non-Operating Receipts/Disbursements			
Capital Outlay	(13,726)		(13,726)
Interest and Other Fiscal Charges	(100,971)		(100,971)
Total Non-Operating Receipts/Disbursements	<u>(114,697)</u>		<u>(114,697)</u>
Income/(Loss) Before Interfund Transfers and Advances	<u>162,659</u>		<u>162,659</u>
Fund Cash Balance, January 1	<u>734,974</u>		<u>734,974</u>
Fund Cash Balance, December 31	<u><u>\$897,633</u></u>		<u><u>\$897,633</u></u>
Reserve for Encumbrances, December 31	<u><u>\$1,718</u></u>		<u><u>\$1,718</u></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, 2009**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
Cash Receipts:						
Property and Local Taxes	\$105,975	\$101,426				\$207,401
Municipal Income Tax	188,581					188,581
Intergovernmental	93,464	141,742		\$163,025		398,231
Charges for Services		21,997		180,000		201,997
Fines, Licenses and Permits	11,317	2,045				13,362
Earnings on Investments	3,605	806				4,411
Miscellaneous	3,652	10,416				14,068
Total Cash Receipts	406,594	278,432		343,025		1,028,051
Cash Disbursements:						
Current:						
Security of Persons & Property	15,424	181,996				197,420
Public Health Services		4,802				4,802
Leisure Time Activities		21,058				21,058
Community Environment	344					344
Transportation		110,147				110,147
General Government	198,710					198,710
Capital Outlay		9,180		194,420		203,600
Debt Service:						
Principal Payment	2,928		\$2,928			5,856
Interest and Fiscal Charges	1,463	15,200	1,463			18,126
Total Cash Disbursements	218,869	342,383	4,391	194,420		760,063
Total Receipts Over/(Under) Disbursements	187,725	(63,951)	(4,391)	148,605		267,988
Other Financing Receipts/(Disbursements):						
Other Debt Proceeds				50,000		50,000
Transfers-In		119,500	4,500			124,000
Transfers-Out	(124,000)					(124,000)
Other Financing Sources				75,395		75,395
Other Financing Uses	(66,708)					(66,708)
Total Other Financing Receipts/(Disbursements)	(190,708)	119,500	4,500	125,395		58,687
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	(2,983)	55,549	109	274,000		326,675
Fund Cash Balance, January 1	365,589	410,993	12,622	3,719	\$1,099	794,022
Fund Cash Balance, December 31	\$362,606	\$466,542	\$12,731	\$277,719	\$1,099	\$1,120,697
Reserve for Encumbrances, December 31	\$780	\$1,116		\$176,654		\$178,550

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, 2009**

	<u>Proprietary Fund</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$560,686		\$560,686
Fines, Licenses and Permits		\$17,327	17,327
Total Operating Cash Receipts	<u>560,686</u>	<u>17,327</u>	<u>578,013</u>
Operating Cash Disbursements:			
Current:			
Personal Services	100,572		100,572
Employee Fringe Benefits	43,814		43,814
Contractual Services	106,489		106,489
Supplies and Materials	58,004		58,004
Other		17,327	17,327
Total Operating Cash Disbursements	<u>308,879</u>	<u>17,327</u>	<u>326,206</u>
Operating Income/(Loss)	<u>251,807</u>		<u>251,807</u>
Non-Operating Receipts/Disbursements			
Capital Outlay	(105,071)		(105,071)
Interest and Other Fiscal Charges	(143,822)		(143,822)
Total Non-Operating Receipts/Disbursements	<u>(248,893)</u>		<u>(248,893)</u>
Income/(Loss) Before Interfund Transfers and Advances	<u>2,914</u>		<u>2,914</u>
Fund Cash Balance, January 1	<u>732,060</u>		<u>732,060</u>
Fund Cash Balance, December 31	<u><u>\$734,974</u></u>		<u><u>\$734,974</u></u>
Reserve for Encumbrances, December 31	<u><u>\$4,241</u></u>		<u><u>\$4,241</u></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, 2010 and 2009**

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 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, 2010 and 2009**

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.

Sewer R & I Fund – This fund receives charges for services from tap in fees to cover emergency capital projects costs.

**VILLAGE OF CRESTON
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009**

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 re-appropriated.

A summary of 2010 and 2009 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, 2010 and 2009**

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

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

	2010	2009
Demand deposits	\$1,963,411	\$1,614,671
Certificates of deposit	241,137	241,000
Total deposits	2,204,548	1,855,671

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

3. Budgetary Activity

Budgetary activity for the years ended December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$348,894	\$478,038	\$129,144
Special Revenue	361,423	396,533	35,110
Debt Service	106,500	4,500	(102,000)
Capital Projects	285,773	285,772	(1)
Enterprise	433,953	573,564	139,611
Total	\$1,536,543	\$1,738,407	\$201,864

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$442,206	\$354,582	\$87,624
Special Revenue	449,060	370,943	78,117
Debt Service	4,391	4,391	
Capital Projects	375,236	258,475	116,761
Enterprise	669,410	412,623	256,787
Total	\$1,940,303	\$1,401,014	\$539,289

**VILLAGE OF CRESTON
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009**

3. Budgetary Activity (Continued)

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$238,800	\$406,594	\$167,794
Special Revenue	386,842	397,932	11,090
Debt Service	106,500	4,500	(102,000)
Capital Projects	468,420	468,420	
Permanent	20		(20)
Enterprise	436,800	560,686	123,886
Total	\$1,637,382	\$1,838,132	\$200,750

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$534,982	\$410,357	\$124,625
Special Revenue	421,476	343,499	77,977
Debt Service	4,391	4,391	
Capital Projects	409,815	371,074	38,741
Enterprise	672,235	562,013	110,222
Total	\$2,042,899	\$1,691,334	\$351,565

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.

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

The Village levies 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.

**VILLAGE OF CRESTON
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009**

6. Debt

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loans	\$289,925	0.00%
Ohio Water Development Authority Loan	31,943	3.95%
Ohio Water Development Authority Loan	181,172	0.00%
Hughes Property Loan	49,199	5.00%
2010 Chevy Truck Loan	19,593	3.41%
Community Center Loan	220,673	4.97%
Skid Loader Capital Lease	11,024	5.27%
Backhoe Loan	<u>41,722</u>	5.19%
Total	<u>\$845,251</u>	

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 2002, 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.

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.

In 2009, the Village obtained an Ohio Water Development Authority (OWDA) loan in the amount of \$136,237 for South Main Street Sewer Improvements. The loan will be repaid in annual installments, with no interest, over 20 years.

In 2010, the Village obtained an Ohio Water Development Authority (OWDA) loan in the amount of \$62,870 for the Burbank Street Culvert Replacement. The loan will be repaid in annual installments, with no interest, over 20 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, including interest at a rate of 5%, over 10 years.

**VILLAGE OF CRESTON
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009**

6. Debt (Continued)

In 2009, the Village obtained a commercial loan in the amount of \$239,163 for the Community Center. The loan expires on May 30, 2016, and includes a balloon payment in the amount of \$155,457 due on that date or the Village can choose to refinance the loan at the current interest rate. The loan will be repaid in monthly installments, including interest at a rate of 4.97%, over 7 years.

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.

In 2010, the Village obtained a loan in the amount of \$24,910 for the purchase of a truck. The loan will be repaid in monthly installments, including interest at the rate of 3.41%, over 3 years.

In 2010, the Village obtained a loan in the amount of \$51,409 for the purchase of a loader backhoe. The loan will be repaid in annual installments, including interest at the rate of 5.19%, over 5 years.

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

Year ending December 31:	OPWC Loans	OWDA Loans	Commercial Loan	Loans	Capital Lease
2011	\$25,866	\$45,199	\$22,631	\$27,216	\$5,952
2012	25,866	45,199	22,037	27,216	5,952
2013	21,660	45,199	21,442	21,384	
2014	20,589	15,512	20,848	18,468	
2015	20,589	15,512	20,253	18,468	
2016-2020	102,945	77,560	163,710	13,903	
2021-2025	62,280	77,560			
2026-2030	10,130	62,048			
Total	<u>\$289,925</u>	<u>\$383,789</u>	<u>\$270,921</u>	<u>\$126,655</u>	<u>\$11,904</u>

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 2010 and 2009, OP&F participants contributed 10% of their wages. For 2009, the Village contributed to OP&F an amount equal to 19.5% of the full-time Police Chiefs' wages. For 2010, the Police Chief was part-time and contributed to OPERS. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

**VILLAGE OF CRESTON
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009**

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.



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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, 2010 and 2009, and have issued our report thereon dated October 12, 2011 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 also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio Villages. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 12, 2011.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

October 12, 2011

**VILLAGE OF CRESTON
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Proper Account Coding - Numerous transactions were not accounted for and properly classified in the Village's accounting system.	No	Partially corrected, reissued in the Management Letter.
2008-002	Posting Estimated Resources and Appropriations to Accounting System - Certain estimated revenues and appropriations posted to the Village's accounting system did not always agree to the amended certificate of estimated resources or the appropriations measures.	Yes	Corrected.
2008-003	Ohio Rev. Code Section 5705.41(D) - Certain expenditures were not properly certified.	No	Partially corrected, reissued in the Management Letter.

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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
OCTOBER 25, 2011