



**Auditor of State
Betty Montgomery**

VILLAGE OF CRESTON
WAYNE COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Creston
Wayne County
P.O. Box 194
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, 2002 and 2001. 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 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 discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of Creston
Wayne County
Independent Accountants' Report
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This report is intended solely for the information and use of the audit committee, management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 1, 2003

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, 2002**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$363,607	\$120,915				\$484,522
Intergovernmental Receipts	88,915	96,902		\$451,467		637,284
Charges for Services		14,836				14,836
Fines, Licenses, and Permits	31,333	8,278				39,611
Earnings on Investments	15,500					15,500
Contributions and Donations		16,304				16,304
Miscellaneous	16,536	15,734				32,270
Total Cash Receipts	515,891	272,969		451,467		1,240,327
Cash Disbursements:						
Current:						
Security of Persons and Property	4,872	248,351				253,223
Public Health Services	5,195	41,140				46,335
Leisure Time Activities		19,900				19,900
Community Environment	330	3,613				3,943
Transportation		104,283				104,283
General Government	267,171					267,171
Debt Service:						
Principal Payments			13,512			13,512
Interest Payments			6,472			6,472
Capital Outlay				453,666		453,666
Total Cash Disbursements	277,568	417,287	19,984	453,666		1,168,505
Total Receipts Over/(Under) Disbursements	238,323	(144,318)	(19,984)	(2,199)		71,822
Other Financing Receipts/(Disbursements):						
Transfers-In		194,045	20,000		1,836	215,881
Transfers-Out	(320,925)					(320,925)
Total Other Financing Receipts/(Disbursements)	(320,925)	194,045	20,000		1,836	(105,044)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(82,602)	49,727	16	(2,199)	1,836	(33,222)
Fund Cash Balances, January 1	366,686	104,499	2,548	2,371	45,120	521,224
Fund Cash Balances, December 31	\$284,084	\$154,226	\$2,564	\$172	\$46,956	\$488,002
Reserves for Encumbrances, December 31	\$1,677	\$0	\$0	\$222,261	\$0	\$223,938

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, 2002**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$502,952		\$42,772	\$545,724
Miscellaneous	45,892	\$200		46,092
Total Operating Cash Receipts	548,844	200	42,772	591,816
Operating Cash Disbursements:				
Personal Services	137,328			137,328
Payments to Village			34,022	34,022
Payments to State			8,750	8,750
Supplies and Materials	100,997			100,997
Interest	38,412			38,412
Capital Outlay	72,422			72,422
Total Operating Cash Disbursements	349,159		42,772	391,931
Operating Income	199,685	200		199,885
Non-Operating Cash Disbursements:				
Debt Service - principal retirement	121,473			121,473
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	78,212	200		78,412
Transfers-In	105,044			105,044
Net Receipts Over Disbursements	183,256	200		183,456
Fund Cash Balances, January 1	495,244	800		496,044
Fund Cash Balances, December 31	\$678,500	\$1,000	\$0	\$679,500
Reserves for Encumbrances, December 31	\$0	\$0	\$0	\$0

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, 2001**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$366,112	\$95,463				\$461,575
Intergovernmental Receipts	127,083	95,964		\$94,592		317,639
Charges for Services		17,660				17,660
Fines, Licenses, and Permits	41,586	550				42,136
Earnings on Investments	25,601					25,601
Contributions and Donations		1,278				1,278
Miscellaneous	15,894	18,050				33,944
Total Cash Receipts	576,276	228,965		94,592		899,833
Cash Disbursements:						
Current:						
Security of Persons and Property	5,145	262,850				267,995
Public Health Services	5,210	40,417				45,627
Leisure Time Activities		16,990				16,990
Community Environment	121					121
Transportation		79,911				79,911
General Government	170,815					170,815
Debt Service:						
Principal Payments			12,726			12,726
Interest Payments			7,257			7,257
Capital Outlay	98,301	5,990		104,536	1,576	210,403
Total Cash Disbursements	279,592	406,158	19,983	104,536	1,576	811,845
Total Receipts Over/(Under) Disbursements	296,684	(177,193)	(19,983)	(9,944)	(1,576)	87,988
Other Financing Receipts/(Disbursements):						
Transfers-In		185,000	20,000			205,000
Transfers-Out	(212,040)					(212,040)
Total Other Financing Receipts/(Disbursements)	(212,040)	185,000	20,000			(7,040)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	84,644	7,807	17	(9,944)	(1,576)	80,948
Fund Cash Balances, January 1	282,042	96,692	2,531	12,315	46,696	440,276
Fund Cash Balances, December 31	\$366,686	\$104,499	\$2,548	\$2,371	\$45,120	\$521,224
Reserves for Encumbrances, December 31	\$2,404	\$472	\$0	\$474,770	\$0	\$477,646

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 PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$511,222		\$46,542	\$557,764
Miscellaneous	3,052	\$660		3,712
Total Operating Cash Receipts	<u>514,274</u>	<u>660</u>	<u>46,542</u>	<u>561,476</u>
Operating Cash Disbursements:				
Personal Services	127,116			127,116
Payments to Village			35,592	35,592
Payments to State			10,950	10,950
Supplies and Materials	106,118			106,118
Interest	93,332			93,332
Capital Outlay	183,888			183,888
Total Operating Cash Disbursements	<u>510,454</u>		<u>46,542</u>	<u>556,996</u>
Operating Income	<u>3,820</u>	<u>660</u>		<u>4,480</u>
Non-Operating Cash Receipts:				
Intergovernmental Receipts	<u>14,528</u>			<u>14,528</u>
Total Non-Operating Cash Receipts	<u>14,528</u>			<u>14,528</u>
Non-Operating Cash Disbursements:				
Debt Service - principal retirement	<u>119,318</u>			<u>119,318</u>
Total Non-Operating Cash Disbursements	<u>119,318</u>			<u>119,318</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(100,970)	660		(100,310)
Transfers-In	<u>7,040</u>			<u>7,040</u>
Net Receipts Over/(Under) Disbursements	(93,930)	660		(93,270)
Fund Cash Balances, January 1	<u>589,174</u>	<u>140</u>		<u>589,314</u>
Fund Cash Balances, December 31	<u>\$495,244</u>	<u>\$800</u>	<u>\$0</u>	<u>\$496,044</u>
Reserves for Encumbrances, December 31	<u>\$44,955</u>	<u>\$0</u>	<u>\$0</u>	<u>\$44,955</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, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Creston, Wayne County, (the Village) is a body 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 balances. 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 Fund

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 has 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, 2002 AND 2001
(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 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:

Coulter Street Project - This fund is used to account for grant proceeds received from the Ohio Water Development Agency and used to complete the Coulter Street sewer line repair project.

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.

**VILLAGE OF CRESTON
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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

The Village had the following Nonexpendable Trust Fund:

Park Endowment Fund - Interest from the trust is used for the maintenance of the Village park.

The Village had the following Expendable Trust Fund:

Cemetery Trust Fund - Proceeds from this fund are used for cemetery land improvements.

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 object level of control, and appropriations may not exceed estimated resources. The Council must annually approve the appropriation measure 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. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2002 and 2001 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.

**VILLAGE OF CRESTON
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(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. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investment 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:

	2002	2001
Demand deposits	\$923,502	\$873,268
Certificates of deposit	240,000	140,000
Total deposits	1,163,502	1,013,268
Investments	4,000	4,000
Total deposits and investments	\$1,167,502	\$1,017,268

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, 2002 and 2001 follows:

Fund Type	2002 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$469,800	\$515,891	\$46,091
Special Revenue	429,665	467,014	37,349
Debt Service	20,000	20,000	0
Capital Projects	294,000	451,467	157,467
Enterprise	539,500	653,888	114,388
Expendable Trust	950		(950)
Nonexpendable Trust	0	200	200
Total	\$1,753,915	\$2,108,460	\$354,545

**VILLAGE OF CRESTON
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$706,897	\$600,170	\$106,727
Special Revenue	553,024	417,287	135,737
Debt Service	20,000	19,984	16
Capital Projects	771,141	675,927	95,214
Enterprise	748,072	470,632	277,440
Expendable Trust	0	0	0
Nonexpendable Trust	10,000	0	10,000
Total	<u>\$2,809,134</u>	<u>\$2,184,000</u>	<u>\$625,134</u>

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$447,100	\$576,276	\$129,176
Special Revenue	378,450	413,965	35,515
Debt Service	20,000	20,000	0
Capital Projects	94,592	94,592	0
Enterprise	519,000	535,842	16,842
Expendable Trust	1,600	0	(1,600)
Nonexpendable Trust	0	660	660
Total	<u>\$1,460,742</u>	<u>\$1,641,335</u>	<u>\$180,593</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$620,278	\$494,036	\$126,242
Special Revenue	468,091	406,630	61,461
Debt Service	20,000	19,983	17
Capital Projects	581,677	579,306	2,371
Enterprise	862,895	674,727	188,168
Expendable Trust	10,000	1,576	8,424
Nonexpendable Trust	0	0	0
Total	<u>\$2,562,941</u>	<u>\$2,176,258</u>	<u>\$386,683</u>

**VILLAGE OF CRESTON
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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 payment 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.

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.

6. DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loans	\$285,669	0.00%
Ohio Water Development Authority Loan	452,509	8.90%
Promissory Note - Water Tower Construction	389,755	7.50%
Promissory Note - Waterline Replacement	79,742	7.00%
Police Station Loan	100,484	6.00%
Total	<u>\$1,308,159</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.

**VILLAGE OF CRESTON
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. DEBT (Continued)

The Ohio Water Development Authority (OWDA) loan relates to the expansion and upgrade of the 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.

The Promissory Notes relate to the water tower construction project and a waterline replacement project. The original principle amount of the Water Tower Note was \$600,000 and will be repaid in monthly installments of \$5,562, including interest, over 16 years. The original principle amount of the Waterline Replacement Note was \$150,000 and will be repaid in monthly installments of \$1,749, including interest, over 10 years.

The Police Station Loan relate to certain premises conveyed by Village residents for use by the Police Department. The original principle amount of the Police Station Loan installment note was \$150,000 and will be repaid in monthly installments of \$1,665, including interest, over 10 years.

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

	OPWC Loans	OWDA Loan	Watertower Construction Note	Waterline Replacement Note	Police Station Loan
Year ending December 31:					
2003	\$16,868	\$98,150	\$66,744	\$20,988	\$19,984
2004	16,868	98,150	66,744	20,988	19,984
2005	16,868	98,150	66,744	20,988	19,984
2006	16,868	98,150	66,744	20,988	19,984
2007	16,868	98,150	66,744	20,988	19,984
2008 – 2012	201,329	98,151	185,035	9,213	19,984
Total	<u>\$285,669</u>	<u>\$588,901</u>	<u>\$518,755</u>	<u>\$114,153</u>	<u>\$119,904</u>

In addition to the debt described above, the Village defeased and retired a mortgage revenue bond from prior years on September 1, 2002. Debt principal outstanding at December 31, 2001 was \$164,000. Assets accumulated to retire this debt were held and paid out by a trustee and were not included in the assets disclosed in Note 2.

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.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Village has paid all contributions required through December 31, 2002.

**VILLAGE OF CRESTON
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

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.

The Village also provides health insurance to full-time employees through a private carrier.

9. RELATED PARTY TRANSACTIONS

One council member and three members of the Board of Public Affairs own companies from which the Village acquired auto repair services, vehicle parts, tree maintenance services, and banking services during 2002 and 2001. The Village paid \$9,305 in 2002 and \$15,789 in 2001 for these services.



**Auditor of State
Betty Montgomery**

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

Village of Creston
Wayne County
P.O Box 194
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, 2002 and 2001, and have issued our report thereon dated May 1, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Village of Creston
Wayne County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the Audit Committee, management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 1, 2003

**VILLAGE OF CRESTON
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-30985-001	Ohio Rev. Code Section 135.18. Village deposits were under collateralized by \$518,449 at December 31, 1999.	Yes	



**Auditor of State
Betty Montgomery**

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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
JULY 31, 2003**