

**VILLAGE OF CRESTON  
WAYNE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2004 - 2003**





**Auditor of State  
Betty Montgomery**

Village Council  
Village of Creston  
100 N. Main Street  
PO Box 194  
Creston, Ohio 44217

We have reviewed the *Independent Accountants' Report* of the Village of Creston, Wayne County, prepared by Knox & Knox, CPAs, for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

May 4, 2006

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VILLAGE OF CRESTON  
WAYNE COUNTY

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Accountants and Consultants

## **Independent Accountants' Report**

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

We have audited the accompanying financial statements of the Village of Creston, Wayne County, Ohio, as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Creston's combined funds as of December 31, 2004 and 2003, and their changes in financial position.

Village of Creston  
Wayne County  
Report of Independent Accountants  
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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and the reserves for encumbrances of the Village of Creston, Wayne County, as of December 31, 2004 and 2003, 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 March 27, 2006, on our consideration of the Village of Creston's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. 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 audits.

*Knox & Knox*

Orrville Ohio  
March 27, 2006



**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, 2004**

	<u>Government Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>						
Property and Other Local Taxes	\$403,483	\$ 100,551				\$ 504,034
Intergovernmental Receipts	83,673	114,614		\$184,304		382,501
Charges for Services		15,994				15,994
Licenses, Permits, and Fees	17,455	660				15,115
Earnings on Investments	6,586					6,586
Miscellaneous	<u>12,636</u>	<u>21,414</u>				<u>34,040</u>
 Total Cash Receipts	 <u>523,833</u>	 <u>253,233</u>				 <u>961,370</u>
<b>Cash Disbursements</b>						
Current:						
Security of Persons & Property	4,922	200,764				205,686
Public Health Services	5,537	46,851				52,388
Leisure Time Activities		20,798				20,798
Community Environment	49	4,675				4,724
Transportation		53,057				53,057
General Government	234,647					234,647
Debt Service:						
Principal Payments	2,259		16,169			18,428
Interest Payments	1,767		3,815			5,582
Capital Outlay	<u>25,463</u>			<u>178,317</u>		<u>203,780</u>
 Total Cash Disbursements	 <u>274,644</u>	 <u>326,145</u>	 <u>19,984</u>	 <u>178,317</u>		 <u>799,090</u>
 Total Cash Receipts Over/(Under) Cash Disbursements	 <u>249,189</u>	 <72,912>	 <19,984>	 <u>5,987</u>		 <u>162,280</u>
<b>Other Financing Receipts and and (Disbursements):</b>						
Transfers -In		155,209	24,815		84	180,108
Transfers-Out	<230,108>					<230,108>
Other Debt Proceeds	<u>25,463</u>					<u>25,463</u>
 Total Other Financing Receipts and Disbursements	 <u>&lt;204,645&gt;</u>	 <u>155,209</u>	 <u>24,815</u>	 <u>5,987</u>	 <u>84</u>	 <u>&lt;24,537&gt;</u>
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	  44,544	  82,297	  4,831	  5,987	  84	  137,743
 Fund Cash Balances, January 1	 <u>265,303</u>	 <u>153,247</u>	 <u>2,581</u>	 <u>5,004</u>	 <u>47,134</u>	 <u>473,269</u>
 <b>Fund Cash Balances, December 31</b>	 <u><b>\$ 309,847</b></u>	 <u><b>\$235,544</b></u>	 <u><b>\$7,412</b></u>	 <u><b>\$10,991</b></u>	 <u><b>\$47,218</b></u>	 <u><b>\$611,012</b></u>
 Reserve for Encumbrances, December 31	 <u>_____</u>	 <u>_____</u>	 <u>_____</u>	 <u>_____</u>	 <u>_____</u>	 <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 PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary Fund Type		Fiduciary Fund Types	Total (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$ 512,341		\$ 22,149	\$ 534,490
Miscellaneous	20,404	\$ 4		20,408
Total Cash Receipts	532,745	4	22,149	554,898
<b>Operating Cash Disbursements</b>				
Personal Services	161,194			161,164
Payments to Village			17,009	17,009
Payments to State			5,140	5,140
Supplies and Materials	99,695			99,695
Capital Outlay	54,194			54,194
Total Operating Cash Disbursements	315,083		22,149	337,232
Operating Income	217,662	4		217,666
<b>Non-Operating Cash Disbursements</b>				
Debt Service - principal and interest	211,792			211,792
Excess of Receipts Over/Disbursements Before Interfund Transfers	5,870	4		5,874
Transfers-In	50,000			50,000
Net Receipts Over Disbursements	55,870	4		55,874
Fund Cash Balances, January 1	701,999	1,000		702,999
<b>Fund Cash Balances, December 31</b>	<b>\$ 757,869</b>	<b>\$1,004</b>		<b>\$ 758,873</b>
Reserve for Encumbrances, December 31				

*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, 2003**

	Government Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>						
Property and Other Local Taxes	\$380,802	\$ 96,179				\$ 477,061
Intergovernmental Receipts	88,308	100,681		\$ 33,108		222,097
Charges for Services		15,480				15,480
Licenses, Permits, and Fees	23,742	1,363				25,105
Earnings on Investments	9,380					9,380
Miscellaneous	11,333	16,317				27,650
	<u>513,645</u>	<u>230,020</u>		<u>33,108</u>		<u>776,773</u>
<b>Cash Disbursements</b>						
Current:						
Security of Persons & Property	4,886	254,840				259,726
Public Health Services	5,222	45,077				50,299
Leisure Time Activities		18,335				18,335
Community Environment	472	14,995				15,467
Transportation		85,211				85,211
General Government	260,183					260,183
Debt Service:						
Principal Payments	909		14,345			15,254
Interest Payments	3,117		5,638			8,755
Capital Outlay	215,297			28,276		243,573
	<u>490,086</u>	<u>418,458</u>	<u>19,983</u>	<u>28,276</u>		<u>956,803</u>
Total Cash Receipts Over/ (Under)						
Cash Disbursements	<u>23,559</u>	<u>&lt;188,430&gt;</u>	<u>&lt;19,983&gt;</u>	<u>4,832</u>		<u>&lt;180,030&gt;</u>
<b>Other Financing Receipts and and (Disbursements:</b>						
Transfers -In		187,459	20,000		178	207,637
Transfers-Out	<257,637>					<257,637>
Other Debt Proceeds	215,297					215,297
	<u>&lt;42,340&gt;</u>	<u>187,459</u>	<u>20,000</u>		<u>178</u>	<u>165,297</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>						
	<18,781>	<979>	17	4,832	178	<14,733>
Fund Cash Balances, January 1	284,084	154,226	2,564	172	46,956	488,002
<b>Fund Cash Balances, December 31</b>	<u>\$ 265,303</u>	<u>\$153,247</u>	<u>\$2,581</u>	<u>\$5,004</u>	<u>\$47,134</u>	<u>\$473,269</u>
Reserve for Encumbrances, Dec. 31						

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, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>		<u>Total (Memorandum) Only</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$ 509,355		\$ 28,248	\$ 537,603
Miscellaneous	<u>6,222</u>			<u>6,222</u>
Total Cash Receipts	<u>515,577</u>		<u>28,248</u>	<u>543,825</u>
<b>Operating Cash Disbursements</b>				
Personal Services	147,008			147,008
Payments to Village			21,902	21,902
Payments to State			6,346	6,346
Supplies and Materials	99,892			99,892
Capital Outlay	<u>241,172</u>			<u>241,172</u>
Total Operating Cash Disbursements	<u>488,072</u>		<u>28,248</u>	<u>516,320</u>
Operating Income	<u>27,505</u>			<u>27,505</u>
<b>Non-Operating Cash Receipts</b>				
Other Debt Proceeds	<u>153,576</u>			<u>153,576</u>
Total Non-Operating Cash Receipts	<u>153,576</u>			<u>153,576</u>
<b>Non-Operating Cash Disbursements</b>				
Debt Service - principal and Interest	<u>207,582</u>			<u>207,582</u>
Total Non-Operating Cash Disbursements	<u>207,582</u>			<u>207,582</u>
Excess of Receipts Over/(Under) Disbursements before Interfund Transfers	<u>&lt;26,501&gt;</u>			<u>&lt;26,501&gt;</u>
Transfers-In	<u>50,000</u>			<u>50,000</u>
Net Receipts Over/(Under) Disbursements	<u>23,499</u>			<u>23,499</u>
Fund Cash Balances, January 1	<u>678,500</u>	<u>1,000</u>		<u>679,500</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 701,999</u>	<u>\$ 1,000</u>		<u>\$702,999</u>
Reserve for Encumbrances, December 31				

*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, 2004 AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

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

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

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

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

VILLAGE OF CRESTON  
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Fund

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

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

4. Capital Projects Funds

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

*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.

The Village has the following Nonexpendable Trust Fund:

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

The Village has the following Expendable Trust Fund:

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

**VILLAGE OF CRESTON  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3 Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. 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 2004 and 2003 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2004	2003
Demand deposits	\$ 1,124,885	\$ 931,268
Certificates of deposit	<u>241,000</u>	<u>241,000</u>
Total deposits	1,369,885	<u>1,172,268</u>
Investments	<u>4,000</u>	<u>4,000</u>
 Total deposits and investments	 <u>\$ 1,369,885</u>	 <u>\$ 1,176,268</u>

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

**VILLAGE OF CRESTON  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

**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, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 473,600	\$ 549,296	\$ 75,696
Special Revenue	435,500	408,442	<27,058>
Debt Service	126,815	24,815	<102,000>
Capital Projects	222,938	184,304	<38,634>
Enterprise	437,500	582,745	145,245
Expendable Trust		84	84
Nonexpendable Trust	180	4	<176>
<b>Total</b>	<b><u>\$ 1,696,533</u></b>	<b><u>\$ 1,749,690</u></b>	<b><u>\$ 53,157</u></b>

  

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 654,346	\$ 504,752	\$ 149,594
Special Revenue	498,016	326,145	171,871
Debt Service	127,515	19,984	107,531
Capital Projects	178,317	178,317	
Enterprise	783,578	526,875	256,703
Expendable Trust	10,000		10,000
Nonexpendable Trust			
<b>Total</b>	<b><u>\$ 2,251,772</u></b>	<b><u>\$ 1,556,073</u></b>	<b><u>\$ 695,699</u></b>

  

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 582,000	\$ 728,942	\$ 146,942
Special Revenue	457,915	417,479	<40,436>
Debt Service	20,000	20,000	<189,830>
Capital Projects	222,938	33,108	286,153
Enterprise	433,000	719,153	
Expendable Trust		178	178
Nonexpendable Trust	950		<950>
<b>Total</b>	<b><u>\$ 1,716,803</u></b>	<b><u>\$ 1,918,860</u></b>	<b><u>\$ 202,057</u></b>



**VILLAGE OF CRESTON  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

	2003 Budgeted vs. Actual Budgetary Basis Expenditures		
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 809,469	\$ 747,723	\$ 61,746
Special Revenue	567,892	418,458	149,434
Debt Service	20,000	19,983	17
Capital Projects	222,433	28,276	194,157
Enterprise	787,000	695,694	91,346
Expendable Trust	10,000		10,000
Nonexpendable Trust			
Total	<u>\$ 2,416,794</u>	<u>\$ 1,910,094</u>	<u>\$ 506,700</u>

**4. PROPERTY TAX**

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

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

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

**5. LOCAL INCOME TAX**

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

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

**VILLAGE OF CRESTON  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**6. DEBT**

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loans	\$ 328,543	0.00%
Ohio Water Development Authority Loan	324,446	8.09%
Promissory Note - Water Tower Construction	308,782	7.50%
Promissory Note - Waterline Replacement	65,183	7.00%
Police Station Loan	70,909	6.00%
Hughes Property Loan	146,638	5.00%
Community Center Loan	165,760	4.25%
	<u>\$ 1,410,261</u>	

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

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

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

In 2003 and 2004, the Village obtained loans totaling \$165,760 for the Community Center Project with per annum interest of 4.25%. The project is still in progress and an amortization schedule has not been established.

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 relates to certain premises conveyed by Village residents for use by the Police Department. The original principle amount of the Police Station Loan 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 as follows:

	<u>OPWC Loans</u>	<u>OWDA Loan</u>	<u>Water tower Construction Note</u>	<u>Waterline Replacement Note</u>	<u>Police Station Loan</u>	<u>Hughes Property Loan</u>
Year ending Dec. 31:						
2005	\$20,796	\$98,150	\$66,744	\$20,988	\$19,984	\$9,663
2006	20,796	98,150	66,744	20,988	19,984	9,663
2007	20,796	98,150	66,744	20,988	19,984	9,663
2008	20,796	98,150	66,744	9,213	19,984	9,663
2009	20,796		66,744			9,663
2010 and thereafter	<u>226,513</u>	<u>          </u>	<u>51,543</u>	<u>          </u>	<u>          </u>	<u>231,825</u>
Total	<u>\$330,493</u>	<u>\$392,600</u>	<u>\$385,267</u>	<u>\$ 72,177</u>	<u>\$ 79,936</u>	<u>\$280,140</u>

**VILLAGE OF CRESTON  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**7. RETIREMENT SYSTEMS**

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

Contributions rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, 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 gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2004 and 2003. The Village has paid all contributions required through December 31, 2004.

**8. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

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

**9. RELATED PARTY TRANSACTIONS**

One council member and three members of the Board of Public Affairs own companies from which the Village acquired goods and services during 2004 and 2003.

**10. CONTINGENT LIABILITIES**

The Village is a defendant in several lawsuits. The outcomes are indeterminable as of the date of this report.

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# KNOX & KNOX

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Accountants and Consultants

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Creston, Wayne County, Ohio, (the Village) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated March 27, 2006. 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.

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

*Knox & Knox*

Orrville, Ohio  
March 27, 2006





**Auditor of State  
Betty Montgomery**

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P.O. Box 1140  
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**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  
MAY 18, 2006**