

VILLAGE OF APPLE CREEK

WAYNE COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2011 & 2010

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

Village Council
Village of Apple Creek
P.O. Box 208
Apple Creek, Ohio 44606

We have reviewed the *Report of Independent Accountants* of the Village of Apple Creek, Wayne County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 through December 31, 2011. 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 *Report of Independent Accountants* 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 *Report of Independent Accountants* 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 Apple Creek is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

May 21, 2012

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VILLAGE OF APPLE CREEK
WAYNE COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2011 & 2010

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Apple Creek
Wayne County
P.O. Box 208
Apple Creek, OH 44606

To the Village Council:

We have audited the accompanying financial statements of the Village of Apple Creek (the Village), Wayne County, Ohio, as and for the years ended December 31, 2011 & 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

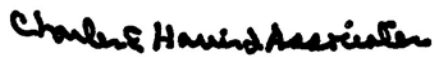
Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Government's larger (i.e. major) funds separately. While the Government does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Governments to reformat their statements. The Government 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, 2011 and 2010, 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, 2011 and 2010, or its changes in financial position or cash flows 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 as of December 31, 2011 and 2010 of the Village of Apple Creek, Wayne County, Ohio, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Village of Apple Creek, Wayne County, Ohio adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2012, 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, 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 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.



Charles E. Harris & Associates, Inc.
February 12, 2012

VILLAGE OF APPLE CREEK
WAYNE COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2011

	Governmental Fund Types		(Memorandum Only)
	General	Special Revenue	Total
RECEIPTS:			
Property and Local Taxes	\$ 49,998	\$ -	\$ 49,998
Municipal Income Tax	203,457	-	203,457
Intergovernmental	24,357	51,820	76,177
Charges for Services	-	4,950	4,950
Fines, Licenses and Permits	3,477	25	3,502
Earnings on Investments	7,491	741	8,232
Miscellaneous	2,850	-	2,850
Total Cash Receipts	291,630	57,536	349,166
DISBURSEMENTS:			
Security of Persons and Property	136,925	308	137,233
Leisure Time Activities	-	9,052	9,052
Transportation	-	102,699	102,699
General Government	108,163	-	108,163
Capital Outlay	55,663	18,975	74,638
Total Cash Disbursements	300,751	131,034	431,785
Cash Receipts Over/(Under) Cash Disbursements	(9,121)	(73,498)	(82,619)
Other Financing Sources (Uses):			
Transfers-In	-	20,000	20,000
Transfers-Out	(20,000)	-	(20,000)
Advances-In	25,000	-	25,000
Refund of Prior Year Expenditures	-	8,525	8,525
Other Financing Uses	(781)	-	(781)
Total Other Financing Sources (Uses)	4,219	28,525	32,744
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	(4,902)	(44,973)	(49,875)
Fund Cash Balance, January 1, 2011	518,338	100,405	618,743
Fund Cash Balances, December 31, 2011			
Restricted	-	55,432	55,432
Assigned	29,666	-	29,666
Unassigned	483,770	-	483,770
Fund Cash Balance, December 31, 2011	\$ 513,436	\$ 55,432	\$ 568,868

See Accompanying Notes to the Financial Statements

**VILLAGE OF APPLE CREEK
WAYNE COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
For the Year Ended December 31, 2011**

	Proprietary Fund Type	Fiduciary Fund Type	(Memorandum Only) Total
	Enterprise	Agency	
OPERATING CASH RECEIPTS:			
Charges for Services	\$ 369,828	-	\$ 369,828
Total Operating Cash Receipts	369,828	-	369,828
OPERATING CASH DISBURSEMENTS			
Personal Services	89,346	-	89,346
Contractual Services	151,933	-	151,933
Materials and Supplies	56,276	-	56,276
Total Operating Cash Disbursements	297,555	-	297,555
Operating Income (Loss)	72,273	-	72,273
NON OPERATING CASH RECEIPTS (DISBURSEMENTS)			
Capital Outlay	(164,019)	-	(164,019)
Other Debt Proceeds	191,062	-	191,062
Other Financing Sources	1,215	761	1,976
Other Financing Uses	-	(621)	(621)
Debt Service:			
Retirement of Principal	(8,786)	-	(8,786)
Total Non Operating Cash Receipts (Disbursements)	19,472	140	19,612
Income (Loss) Before Interfund Advances	91,745	140	91,885
Advances-Out	(25,000)	-	(25,000)
Net Income (Loss)	66,745	140	(25,000)
Fund Cash Balance, January 1, 2011	349,428	816	350,244
Fund Cash Balance, December 31, 2011	\$ 416,173	\$ 956	\$ 417,129

See Accompanying Notes to the Financial Statements

VILLAGE OF APPLE CREEK
WAYNE COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2010

	<u>Governmental Fund Types</u>		(Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
RECEIPTS:			
Property and Local Taxes	\$ 51,918	\$ -	\$ 51,918
Municipal Income Tax	190,667	-	190,667
Intergovernmental	26,991	79,665	106,656
Charges for Services	-	3,815	3,815
Fines, Licenses and Permits	2,129	2,188	4,317
Earnings on Investments	7,534	700	8,234
Miscellaneous	14,442	-	14,442
Total Cash Receipts	293,681	86,368	380,049
DISBURSEMENTS:			
Security of Persons and Property	102,066	-	102,066
Leisure Time Activities	300	12,537	12,837
Transportation	-	189,841	189,841
General Government	121,939	-	121,939
Capital Outlay	27,517	48,379	75,896
Total Cash Disbursements	251,822	250,757	502,579
Cash Receipts Over/(Under) Cash Disbursements	41,859	(164,389)	(122,530)
Other Financing Sources (Uses):			
Transfers-In	-	100,000	100,000
Transfers-Out	(100,000)	-	(100,000)
Advances-In	25,000	-	25,000
Total Other Financing Sources (Uses)	(75,000)	100,000	25,000
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	(33,141)	(64,389)	(97,530)
Fund Cash Balance, January 1, 2010	551,479	164,794	716,273
Fund Cash Balance, December 31, 2010	\$ 518,338	\$ 100,405	\$ 618,743

See Accompanying Notes to the Financial Statements

**VILLAGE OF APPLE CREEK
WAYNE COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
For the Year Ended December 31, 2010**

	Proprietary Fund Type	Fiduciary Fund Type	(Memorandum Only) Total
	Enterprise	Agency	
OPERATING CASH RECEIPTS:			
Charges for Services	\$ 351,016	-	\$ 351,016
Miscellaneous	3,496	-	3,496
Total Operating Cash Receipts	354,512	-	354,512
OPERATING CASH DISBURSEMENTS			
Personal Services	90,652	-	90,652
Contractual Services	116,812	-	116,812
Materials and Supplies	66,152	-	66,152
Total Operating Cash Disbursements	273,616	-	273,616
Operating Income (Loss)	80,896	-	80,896
NON OPERATING CASH RECEIPTS (DISBURSEMENTS)			
Capital Outlay	(97,299)	-	(97,299)
Tap-In Fees	12,500	-	12,500
Other Debt Proceeds	114,022	-	114,022
Other Financing Sources	1,380	310	1,690
Debt Service:			
Retirement of Principal	(4,393)	-	(4,393)
Total Non Operating Cash Receipts (Disbursements)	26,210	310	26,520
Income (Loss) Before Interfund Advances	107,106	310	107,416
Advances-Out	(25,000)	-	(25,000)
Net Income (Loss)	82,106	310	(25,000)
Fund Cash Balance, January 1, 2010	267,322	506	267,828
Fund Cash Balance, December 31, 2010	<u>\$ 349,428</u>	<u>\$ 816</u>	<u>\$ 350,244</u>

See Accompanying Notes to the Financial Statements

**VILLAGE OF APPLE CREEK
WAYNE COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2011 & 2010**

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 Apple Creek, Wayne County, Ohio (the Village) as a body corporate and politic. A publicly-elected seven-member Council directs the Village. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), street repair and maintenance, police, fire, and emergency medical services to the residents of the Village.

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 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 report disbursements for investments purchases or receipts for investments sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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.

VILLAGE OF APPLE CREEK
WAYNE COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2011 & 2010

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

D. **FUND ACCOUNTING** - (continued)

2. **Special Revenue Funds**

These funds account for the proceeds of 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 and motor vehicle tax money for construction, maintenance and repairing of Village streets.

State Highway Improvement Fund – This fund receives gasoline and motor vehicle tax money for construction, maintenance and repairing of State routes.

3. **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 the cost of providing the utility.

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

4. **Fiduciary Funds**

Fiduciary funds include agency funds. 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 agency fund accounts for Refuse. This fund receives monies for trash bags provided by J&J Refuse.

VILLAGE OF APPLE CREEK
WAYNE COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2011 & 2010

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

E. **BUDGETARY PROCESS**

The Ohio Revised Code requires that each fund be budgeted annually.

1. **Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level 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 at year-end are carried over to the subsequent year.

2. **Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered balances 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.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. **FUND BALANCE**

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. **Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. **Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

VILLAGE OF APPLE CREEK
WAYNE COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2011 & 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

F. FUND BALANCE – (Continued)

3. Committed

Council can *commit* amounts via formal action by resolution or ordinance. The Village must adhere to these commitments unless the Council amends the resolution or ordinance. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, ordinance, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. PROPERTY, PLANT AND EQUIPMENT

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

H. 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.

VILLAGE OF APPLE CREEK
WAYNE COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2011 & 2010

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

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

	<u>2011</u>	<u>2010</u>
Demand Deposits	<u>\$985,997</u>	<u>\$968,987</u>
Total	<u><u>\$985,997</u></u>	<u><u>\$968,987</u></u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution to the Village or (3) collateralized by the financial institution's public entity deposit pool.

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2011 and 2010 is as follows:

<u>Fund Type</u>	<u>2011 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$302,850	\$316,630	\$13,780
Special Revenue	182,500	86,061	(96,439)
Enterprise	538,000	562,105	24,105

<u>Fund Type</u>	<u>2011 Budgeted vs. Actual Budgetary Basis Disbursements</u>		
	<u>Total Appropriations</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General	\$516,978	\$351,198	\$165,780
Special Revenue	184,200	131,034	53,166
Enterprise	620,000	495,360	124,640

<u>Fund Type</u>	<u>2010 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$293,200	\$318,681	\$25,481
Special Revenue	204,400	186,368	(18,032)
Enterprise	388,167	482,414	94,247

VILLAGE OF APPLE CREEK
WAYNE COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2011 & 2010

3. **BUDGETARY ACTIVITY – (Continued)**

2010 Budgeted vs. Actual Budgetary Basis Disbursements

<u>Fund Type</u>	<u>Total Appropriations</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General	\$469,350	\$351,822	\$117,528
Special Revenue	317,000	250,757	66,243
Enterprise	450,802	400,308	50,494

4. **PROPERTY TAXES**

Real property taxes become a lien on January 1 preceding the October 1 date for which the 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 corporation limits as well as certain income of residents earned outside the Village corporate limits.

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

6. **DEBT**

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$162,543	0.00%
Ohio Water Development Authority Loan (Includes \$5,321 of Capitalized Interest)	204,531	4.17%
Total	<u>\$367,074</u>	

In addition, the prior agreed-upon procedures report failed to include new debt in the amount of \$69,848 that was outstanding as of December 31, 2009.

**VILLAGE OF APPLE CREEK
WAYNE COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2011 & 2010**

6. DEBT – (Continued)

The Ohio Water Development Authority (OWDA) loan relates the planning of a wastewater treatment plant design. The OWDA approved up to \$220,000 in loans to the Village for this project. The Village will repay the loans in semiannual installments, beginning in 2012. The payment schedule was not yet available as the Village is continuing to borrow. The OWDA will adjust scheduled payments to reflect any revisions in amounts the Village actually borrows. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan relates to the State Route 250 waterline replacement project. The OPWC approved an interest-free loan of \$175,720 to the Village for this project. The Village will repay the loan in semiannual installments of \$4,393 over 20 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

Amortization of the above debt is scheduled as follows:

Year ending December 31:	<u>OPWC Loan</u>
2012	\$8,786
2013	8,786
2014	8,786
2015	8,786
2016	8,786
2017-2021	43,930
2022-2026	43,930
2027-2030	<u>30,753</u>
Total	<u><u>\$162,543</u></u>

7. INTERFUND ADVANCES

In 2003, the Village loaned \$700,000 of General Fund money to the Sewer Capital Outlay Fund. As of December 31, 2011, the amount outstanding was \$563,940. The loan repayments are as follows:

Year ending December 31:	<u>Interfund Loan</u>
2012	\$30,000
2013	30,000
2014	35,000
2015	35,000
2016	35,000
2017-2021	180,000
2022-2026	<u>218,940</u>
Total	<u><u>\$563,940</u></u>

**VILLAGE OF APPLE CREEK
WAYNE COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2011 & 2010**

8. RETIREMENT SYSTEM

All employees of the Village belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

9. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Commercial inland marine
- Public official's liability
- Employer's liability
- Employee benefits liability
- Law enforcement

Settled claims have not exceeded commercial coverage in the past two years. Also, there have been no significant reduction in coverages from last year.

The Village also provides health insurance and dental insurance to full-time employees through the Wayne County Benefit Plan.

10. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Village of Apple Creek
Wayne County
P.O. Box 208
Apple Creek, OH 44606

To the Village Council:

We have audited the financial statements of the Village of Apple Creek (the Village), Wayne County, Ohio, as of and for the year ended December 31, 2011 and 2010, and have issued our report thereon dated February 12, 2012 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. For the year ended December 31, 2011, we noted the Village implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". 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 Controls Over Financial Reporting

In planning and performing our audit, we considered the Village of Apple Creek, Wayne County, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village, 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 correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of internal control deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented or detected and corrected on a timely basis.

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 to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider to be a significant deficiency in internal control over financial reporting. We consider finding number 2011-AP-01 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

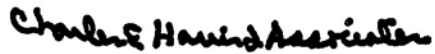
Compliance and Other Matters

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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

We also noted certain matters that we have reported to management of the Village in a separate letter dated February 12, 2012.

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



Charles E. Harris and Associates, Inc.
February 12, 2012

VILLAGE OF APPLE CREEK
WAYNE COUNTY

SCHEDULE OF FINDINGS
December 31, 2011 and 2010

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>
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Finding Number 2011-AP-01 Significant Deficiency

The Village of Apple Creek had loans during the audit period with both the Ohio Public Works Commission (OPWC) and the Ohio Water Development Authority (OWDA) that were directly paid to contractors. The amounts issued in 2010 and 2011 were \$114,022 for OPWC and \$191,062 for OWDA. For \$88,167 of these amounts, the Village did not record the proceeds of the loans nor the capital outlay in their books. For the remaining \$216,917 the Village recorded loan proceeds and capital outlay in incorrect line items. This activity was adjusted in the financial statements.

In addition, the Village incorrectly recorded certain transactions as a return of prior year expenditures, miscellaneous revenue, and unclaimed monies that were reclassified to more accurate accounts in the financial statements.

We recommend that the Village properly record all direct payments of loans in the financial statements with a corresponding entry to capital outlay. Also, we recommend all other miscellaneous activity be scrutinized and recorded in the proper accounts in the future.

Management's Response:

We can assure any and all parties that the Village will take proper and appropriate measures in the future to record all expenditures, direct payment of loans, miscellaneous revenue, miscellaneous activities as well as unclaimed monies in the proper manner. Internal mechanisms are being implemented immediately in order to avoid any such further misclassifications.

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Dave Yost • Auditor of State

VILLAGE OF APPLE CREEK

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
JUNE 5, 2012