



**Auditor of State  
Betty Montgomery**



VILLAGE OF CENTERVILLE  
GALLIA COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Centerville  
Gallia County  
P.O. Box 9  
Thurman, Ohio 45685

To the Village Council:

We have audited the accompanying financial statements of the Village of Centerville, Gallia 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.

The accompanying financial statement for the year ended December 31, 2001 presents receipts and disbursements by the combined fund type totals only. Ohio Administrative Code Section 117-2-02 (A) requires governments to classify receipt and disbursement transactions.

As described in Note 8, the Village borrowed \$85,000 in 2003 from a financial institution. The debt agreement requires the debt to be payable upon demand, but if no demand is made, the Village is required to make 59 monthly payments of \$500 beginning July 15, 2003 with a final balloon payment of \$78,471 due on June 15, 2008. The Village intends to repay this debt from sewer utility charges. As of December 31, 2002, the Village's Enterprise fund cash balance was \$8,715. Note 9 describes the Village's management plan to repay this debt in 2008.

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, except for the omission of receipt and disbursement classifications for the year ended December 31, 2001, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Centerville, Gallia County, as of December 31, 2002 and its combined cash receipts and disbursements for the year then ended; and the fund cash balances of the Village of Centerville, Gallia County, as of December 31, 2001 and its unclassified cash receipts and unclassified cash disbursements for the year then ended; on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 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.

This report is intended solely for the information and use of management, the 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

September 9, 2003

**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$821	\$	\$821
Intergovernmental Receipts	65,150	2,370	67,520
Charges for Services	2,286		2,286
Earnings on Investments	258	21	279
Miscellaneous	14,885		14,885
	<hr/>		<hr/>
Total Cash Receipts	83,400	2,391	85,791
	<hr/>		<hr/>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	31,665		31,665
Public Health Services	74		74
Leisure Time Activities	7,200		7,200
Community Environment	1,290		1,290
Transportation	1,156	13,254	14,410
General Government	33,106		33,106
Debt Service:			
Principal Payments	3,623		3,623
Interest Payments	2,172		2,172
	<hr/>		<hr/>
Total Cash Disbursements	80,286	13,254	93,540
	<hr/>		<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	3,114	(10,863)	(7,749)
	<hr/>		<hr/>
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers-In		10,100	10,100
Transfers-Out	(12,600)		(12,600)
	<hr/>		<hr/>
Total Other Financing Receipts/(Disbursements)	(12,600)	10,100	(2,500)
	<hr/>		<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(9,486)	(763)	(10,249)
	<hr/>		<hr/>
Fund Cash Balances, January 1	38,860	1,711	40,571
	<hr/>		<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$29,374</b>	<b>\$948</b>	<b>\$30,322</b>
	<hr/> <hr/>		<hr/> <hr/>

*The notes to the financial statements are an integral part of this statement.*

**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$24,552
Miscellaneous	500
	25,052
Total Operating Cash Receipts	25,052
<b>Operating Cash Disbursements:</b>	
Personal Services	1,546
Fringe Benefits	400
Supplies and Materials	19,803
	21,749
Total Operating Cash Disbursements	21,749
Operating Income/(Loss)	3,303
<b>Non-Operating Cash Disbursements:</b>	
Debt Service-Principal	201
Debt Service-Interest	4,599
	4,800
Total Non-Operating Cash Disbursements	4,800
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(1,497)
Transfers-In	2,500
Net Receipts Over/(Under) Disbursements	1,003
Fund Cash Balances, January 1	7,712
<b>Fund Cash Balances, December 31</b>	<b>\$8,715</b>

*The notes to the financial statements are an integral part of this statement.*



**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Balance January 1</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance December 31</u>
Funds:				
General Fund	\$41,602	\$131,549	\$134,291	\$38,860
Special Revenue Funds:				
Street Construction, Maintenance and Repair	1,319	4,185	4,353	1,151
State Highway Improvement	<u>425</u>	<u>135</u>	<u>0</u>	<u>560</u>
Total Special Revenue Funds	1,744	4,320	4,353	1,711
Capital Projects Funds:				
Ohio Water Development Authority	1,311	0	1,311	0
Community Development Block Grant	<u>43,878</u>	<u>0</u>	<u>43,878</u>	<u>0</u>
Total Capital Projects Funds	45,189	0	45,189	0
Enterprise Funds:				
Sewer	0	20,734	18,929	1,805
Sewer Debt	<u>0</u>	<u>70,000</u>	<u>64,093</u>	<u>5,907</u>
Total Enterprise Funds	0	90,734	83,022	7,712
<b>Total All Funds</b>	<b><u><u>\$88,535</u></u></b>	<b><u><u>\$226,603</u></u></b>	<b><u><u>\$266,855</u></u></b>	<b><u><u>\$48,283</u></u></b>

*The notes to the financial statements are an integral part of this statement.*

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**VILLAGE OF CENTERVILLE  
GALLIA 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 Centerville, Gallia 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 maintenance of roads and street lighting, as well as fire protection services and sewer utilities. The Village also contracts with the Gallia County Sheriff's department to provide police protection.

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).

The government did not classify its receipts or disbursements in the accompanying financial statements for the year ended December 31, 2001. This is a material departure from the requirements of Ohio Administrative Code Section 117-02-02(A). This Ohio Administrative Code Section requires classifying receipts and disbursements.

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

**C. 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 Fund:

*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 CENTERVILLE  
GALLIA COUNTY**

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

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

**C. Fund Accounting (Continued)**

**3. Capital Project 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 had the following significant Capital Project Fund:

*Community Development Block Grant Fund* – The Village received a pass-through grant from the Federal Government for use in a sewer construction project completed in 2001.

**4. 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 had the following significant Enterprise Funds:

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

*Sanitary Sewer Loan Fund* - This fund receives loan proceeds to finance installation of sewer taps for low to moderate income households in the Village. This loan will be repaid from the sewer fund.

**D. 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 fund, function or 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. Appropriations lapse at year end.

**2. Estimated Resources**

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

**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

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

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

**D. Budgetary Process (Continued)**

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**E. Property, Plant and Equipment**

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

**2. EQUITY IN POOLED CASH**

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

	2002	2001
Demand deposits	\$39,037	\$48,283

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$101,129	\$83,400	(\$17,729)
Special Revenue	4,050	12,491	8,441
Enterprise	25,920	27,552	1,632
Total	\$131,099	\$123,443	(\$7,656)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$99,825	\$92,886	\$6,939
Special Revenue	3,750	13,254	(9,504)
Enterprise	29,100	26,549	2,551
Total	\$132,675	\$132,689	(\$14)

**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

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

**3. BUDGETARY ACTIVITY (Continued)**

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$75,000	\$131,549	\$56,549
Special Revenue	3,700	4,320	620
Capital Projects	0	0	0
Enterprise	0	90,734	90,734
Total	\$78,700	\$226,603	\$147,903

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$91,163	\$134,291	(\$43,128)
Special Revenue	3,750	4,353	(603)
Capital Projects	279,097	45,189	233,908
Enterprise	24,300	83,022	(58,722)
Total	\$398,310	\$266,855	\$131,455

Contrary to Ohio law, appropriations exceeded estimated revenue in the Sanitary Sewer Fund for the year ended December 31, 2002, and in the Sanitary Sewer, Ohio Public Works, and Community Development Block Grant Funds for the year ended December 31, 2001. Also contrary to Ohio law, expenditures exceeded appropriations in the Street Construction, Maintenance and Repair (CM&R) Fund for the year ended December 31, 2002, and in the General, Street CM&R, Sanitary Sewer Loan and Ohio Water Development Authority Funds for the year ended December 31, 2001. Contrary to Ohio law, 100% of budgetary expenditures were not properly encumbered for the year ended December 31, 2002 and 55% of budgetary expenditures were not properly encumbered for the year ended December 31, 2001.

**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.

**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

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

**5. DEBT**

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sanitary Sewer Loan- General Oligation	\$69,681	6.5%
Real Estate Loan- General Obligation	39,926	5.0%
Total	<u>\$109,607</u>	

The General Obligation Notes are collateralized by the Village's taxing authority.

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

	<u>Sanitary Sewer Loan</u>	<u>Real Estate Loan</u>
Year ending December 31:		
2003	\$4,800	\$5,747
2004	4,800	5,747
2005	4,800	5,747
2006	70,128	5,747
2007-2011		26,340
Total	<u>\$84,528</u>	<u>\$49,328</u>

**6. RETIREMENT SYSTEMS**

The Village's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides 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, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

**7. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Public Entities Pool of Ohio ("PEP"), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

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

**7. RISK MANAGEMENT (Continued)**

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$20,174,977	\$19,358,458
Liabilities	(8,550,749)	(8,827,588)
Retained earnings	<u>\$11,624,228</u>	<u>\$10,530,870</u>

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$2,565,408	1,890,323
Liabilities	(655,318)	(469,100)
Retained earnings	<u>\$1,910,090</u>	<u>\$1,421,223</u>

**8. SUBSEQUENT EVENTS**

The Village obtained an \$85,000 Sanitary Sewer general obligation note in June, 2003 which was used to retire the \$70,000 Sanitary Sewer General Obligation Note with the balance being used for repairs to the sanitary sewer system pumps. This note is payable upon demand, but if no demand is made, it requires 59 monthly payments of \$500 beginning July 15, 2003 with a final balloon payment of \$78,471 due on June 15, 2008.



**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

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

**9. SANITARY SEWER NOTE RETIREMENT**

The payments on the Sanitary Sewer General Obligation Note described in Note 8 are made from revenues generated from the sanitary sewer system through customer usage charges. Customer charges are not sufficient to generate the \$78,471 required to make the final payment due prior to June 15, 2008. Council intends to continually refinance the balloon payment amount until the obligation can be reduced to an amount small enough that it can be repaid in its entirety.

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**Auditor of State  
Betty Montgomery**

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

Village of Centerville  
Gallia County  
P.O. Box 9  
Thurman, Ohio 45685

To the Village Council:

We have audited the accompanying financial statements of the Village of Centerville, Gallia County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated September 9, 2003, which was qualified since the Village did not classify receipts and disbursements in its financial statements for the year ended December 31, 2001, and wherein we referred to the Village's plans to retire a balloon debt payment due in 2008. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2002-001 through 2002-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter September 9, 2003.

**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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as item 2002-001, 2002-004, and 2002-006 through 2002-008.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe reportable conditions 2002-001, 2002-004, 2002-007 and 2002-008 are material weaknesses. Also, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Village in a separate letter dated September 9, 2003.

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



**Betty Montgomery**  
Auditor of State

September 9, 2003

**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2002-001**

**Noncompliance Citation/Material Weakness**

Ohio Rev. Code Section 733.28 requires the Village Clerk to maintain the books of the Village and exhibit accurate statements of all monies received and expended.

Ohio Admin. Code Section 117-2-02(A) requires all local public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. Per Ohio Admin. Code Section 117-2-02(D), the accounting records maintained by local public offices should include:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund.
3. Appropriation ledger, which assembles and classifies disbursements or expenditures/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution.

Ohio Admin. Code Section 117-9-01 provides suggested account classifications. These accounts classify receipts by source (taxes or charges for services, for example) and classify disbursements by program (security of persons and property, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

Although the Village did utilize a manual accounting system to track the financial activity of the Village for 2001, the system did not provide the Village with sufficient information to identify, assemble, analyze, etc., the financial condition of the Village.

The Village was unable to classify receipts by source or disbursements by purpose in its December 31, 2001 annual report, as per Ohio Rev. Code Section 117.38. During 2002 the Village converted to the Uniform Accounting Network (UAN).

We recommend the Village maintain a receipt ledger, appropriations ledger and cash journal. Also, we recommend the Village utilize the UAN system that is available at the Village to maintain such records.

**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2002-002**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Appropriations exceeded estimated resources in the following funds:

	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
<b><u>2002</u></b>			
Sanitary Sewer Fund	\$27,725	\$29,100	(\$1,375)
<b><u>2001</u></b>			
CDBG Grant Fund	\$43,878	\$118,721	(\$74,843)
Sanitary Sewer Fund	0	24,300	(24,300)
Ohio Public Works	0	160,376	(160,376)

This could result in the Village appropriating and expending funds which were not available.

We recommend that the Village review the Budget vs Actual financial statements monthly to verify that appropriations do not exceed estimated resources.

**FINDING NUMBER 2002-003**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

Expenditures exceeded appropriations in the following funds:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
<b><u>2002</u></b>			
Street Construction, Maintenance and Repair Fund	\$3,350	\$13,254	(\$9,904)
<b><u>2001</u></b>			
General Fund	\$91,163	\$134,291	(\$43,128)
Street Construction, Maintenance and Repair Fund	3,350	4,353	(1,003)
Sanitary Sewer Loan Fund	0	64,093	(64,093)
Ohio Water Development Fund	0	1,311	(1,311)

This could allow deficit spending to occur.

**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2002-003 (Continued)**

**Noncompliance Citation (Continued)**

**Ohio Rev. Code Section 5705.41 (B) (Continued)**

We recommend the Village Clerk not authorize expenditures if the funds have not been appropriated to cover such expenditures. In the event appropriations have not been made, but resources are available and have been certified to the County Auditor, we recommend that Village Council approve amending the appropriations prior to making the expenditure.

**FINDING NUMBER 2002-004**

**Noncompliance Citation/Material Weakness**

Ohio Rev code section 5705.41(D) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$1,000 (increased to \$3,000 on April 7, 2003) for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Funds were not certified prior to purchase commitments being made and no "then and now" certificates were obtained for 55% of the transactions tested in 2001 and 100% of the transactions tested in 2002. This could allow deficit spending to occur.

We recommend the Village not expend funds without obtaining the certificate of the Clerk prior to an obligation being incurred. Such certificate of the Clerk should be signed by the Clerk and evidenced as certified prior to the obligation being incurred or as a "then and now" certificate.

**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2002-005**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.36 allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

During 2001, loan proceeds were used to purchase property and to assist low income residents with installation of sewer taps. The loan proceeds were receipted and disbursed from the General Fund and Sanitary Sewer Loan Fund but were not certified or appropriated. The Village also began collecting utility charges for the Sewer Fund and corresponding appropriations were made without prior certification of revenue. An increased amended Certificate of Estimated Resources should have been requested from the County Auditor for these funds to prevent appropriations from exceeding estimated resources and/or to prevent expenditures from exceeding appropriations since appropriations are not permitted to exceed estimated resources.

We recommend that the Village file an amended Certification of Estimated Resources upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

**FINDING NUMBER 2002-006**

**Reportable Condition**

The Village did not issue receipts for all monies collected. The receipts that were issued did not indicate the fund that the receipt was to be posted to and they were not signed. This could allow errors and/or irregularities to occur and remain undetected by management for an extended period of time.

We recommend that all receipts be acknowledged by a pre-numbered receipt from the Village indicating the name of the person or organization the funds were received from, the amount of the receipt, the fund that the receipt is to be posted to, and signed by the person receiving the monies.



**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2002-007**

**Material Weakness**

Although bank reconciliations were performed monthly during 2002, the reconciliations contained an amount designated as "Other Adjusting Factors" which could not be explained. The "Other Adjusting Factors" amount was the amount needed to reconcile. The Village could not accurately reconcile the book balances with the bank balances for the following reasons:

- The 2001 cashbook was not properly maintained to reflect fund balances at month end/year end, causing 2002 beginning balances to be incorrect,
- Checks were issued out of sequence,
- The actual check numbers did not match the check numbers recorded in the accounting system,
- Receipts were posted twice or not posted at all,
- Sewer collections were posted incorrectly, and
- Several expenditures were posted incorrectly or not posted at all in 2002

We recommend the Village Clerk perform bank reconciliations monthly and resolve any discrepancies noted in the reconciliation.

**FINDING NUMBER 2002-008**

**Material Weakness**

The Village obtained a general obligation note for \$70,000 during 2001 to assist the Village in getting the sanitary sewer system operational. This note was payable upon demand, but if no demand was made, 59 monthly payments of \$400 were required with a final balloon payment of \$69,314 due on April 11, 2006. During June 2003, the Village obtained a general obligation note for \$85,000. The proceeds of this note were used to repay the \$70,000 note with the remaining balance being used for sanitary sewer system pump repairs. This note is payable upon demand, but if no demand is made, 59 monthly payments of \$500 are required with a final balloon payment of \$78,471 due by June 15, 2008. The payments for this note are made from the sanitary sewer fund from revenues generated by user fees for sanitary sewer service. The Village currently generates approximately \$2,100 per month in user fees, with approximately \$900 per month being payable to the Village of Rio Grande for operating the sewer plant. The remaining \$1,200 per month is to be used to maintain the sewer system as well as pay the required \$500 monthly loan payment. At this rate, the Village will be unable to generate sufficient revenues to repay the final balloon payment by June 15, 2008. The Village Council intends to refinance the balloon payment portion of the note when due, however, if the Village is unable to refinance the balance or obtain other means of repayment, the Village will be considered in default on this loan.

**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2002-008 (Continued)**

**Material Weakness (Continued)**

According to the Loan agreement, if the Village were to default on the loan, the lending financial institution may demand immediate payment of all unpaid principal, interest, and other charges; set off this debt against any right the Village has to the payment of money from the financial institution, including any deposit account balance the Village has with the financial institution; demand security, additional security, or additional parties to be obligated to pay this note as a condition for not using any other remedy; refuse to make advances to the Village or allow purchases on credit by the Village; and use any other remedy they have under state or federal law. The Village maintains its checking account with the same financial institution; therefore, as stated above the lending institution would have the right to seize the Village's account balance if a default occurs.

We recommend the Village's management develop a plan to generate sufficient revenues to repay the general obligation note and maintain a reserve balance in the event the sanitary sewer system is in need of significant repair. Possible methods of generating additional revenues include levying a new tax, changing the user fee structure to a usage based fee (rather than flat rate), or pursuing grant funding.

**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2000-30727-001	Ohio Rev. Code Section 5705.41(D) failure to certify funds.	No	Not Corrected. Reissued as finding number 2002-004.
2000-30727-002	Ohio Rev. Code Section 5705.41(B) expenditures exceeding appropriations.	No	Not Corrected. Reissued as finding number 2002-003.
2000-30727-003	Ohio Rev. Code Section 5705.36 estimated receipts exceeding actual receipts.	No	Not Corrected. Reissued as finding number 2002-005.





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**VILLAGE OF CENTERVILLE**

**GALLIA 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  
NOVEMBER 6, 2003**