



**Auditor of State
Betty Montgomery**

VILLAGE OF CENTERBURG
KNOX COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Centerburg
Knox County
49 ½ East Main Street
Centerburg, Ohio 43011

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Centerburg, Knox County, Ohio, (the Village) as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Centerburg, Knox County, Ohio, as of December 31, 2005, and the respective changes in cash financial position and the respective budgetary comparisons for the General, Street Maintenance and Repair Fund and Police Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

July 24, 2006

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

This discussion and analysis of the Village of Centerburg's financial performance provides an overall review of Centerburg's financial activities for the year ended December 31, 2005, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of Centerburg's financial performance.

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities decreased \$18,669. The fund most affected by the decrease in cash and cash equivalents was the Street Construction Maintenance and Repair Fund resulting from increases in the costs of street paving projects in 2005.

The Village's general receipts are primarily property and income taxes. These receipts represent respectively 17.3 and 49.4 percent of the total cash received for governmental activities during the year. Total property tax receipts increased in 2005, primarily in the Police Fund. The increase was related to an additional 1.2 mil levy which went into effect in 2004, and was collectible in 2005.

The Water and Sewer Funds were monitored closely throughout the year due to a change in fees charged for services. Prior to 2005, charges were based on a declining rate schedule. With the March 1, 2005 billing cycle, this was changed to a flat rate system. Year end total receipts increased as a result of this change.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Government as a Whole

The Statement of Net Assets and the Statement of Activities reflect how the Village did financially during 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of Centerburg at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the property tax base, the condition of capital assets and infrastructure, the extent of debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities - Most of the Village's basic services are reported here, including police and street maintenance activity. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activities - The Village's business-type activities consist of both the provision of water service and sewer service to the residents of the Village. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. Separate funds are established to better manage the many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are divided into two categories: governmental and proprietary.

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, Street Construction Maintenance and Repair, and the Police Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The significant enterprise funds are presented on the financial statements in separate columns. The information for the non-major enterprise fund (a fund whose activity or balance is not large enough to warrant separate reporting) is presented in total in a single column. The Village's major enterprise funds are the Water Fund and the Sewer Fund.

The Government as a Whole

Table 1 provides a summary of the Government's net assets for 2005 compared to 2004 on a cash basis:

(Table 1)
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Assets						
Cash and Cash Equiva	\$ 357,017	\$ 375,686	\$ 477,684	\$ 420,026	\$834,701	\$ 795,712
Total Assets	<u>\$ 357,017</u>	<u>\$ 375,686</u>	<u>\$ 477,684</u>	<u>\$ 420,026</u>	<u>\$834,701</u>	<u>\$ 795,712</u>
Net Assets						
Restricted for:						
Capital Outlay	\$ 78	\$ 50	\$ -	\$ -	\$ 78	\$ 50
Other Purposes	119,580	130,325	-	-	119,580	130,325
Unrestricted	<u>237,359</u>	<u>245,311</u>	<u>477,684</u>	<u>420,026</u>	<u>715,043</u>	<u>665,337</u>
Total Net Assets	<u>\$ 357,017</u>	<u>\$ 375,686</u>	<u>\$ 477,684</u>	<u>\$ 420,026</u>	<u>\$834,701</u>	<u>\$ 795,712</u>

As mentioned previously, net assets of governmental activities decreased \$ 18,669 or 4.9 percent during 2005. The primary reasons contributing to the decreases in cash balances are as follows:

- Increases in transportation expenses associated with road projects during 2005 in the Street Construction Maintenance and Repair Fund.

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Table 2 presents a comparative analysis of the changes in net assets between 2005 and 2004:

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$17,146	\$13,936	\$460,109	\$413,208	\$477,255	\$427,144
Operating Grants and Contributions	66,387	200,277	0	0	66,387	200,277
Capital Grants	36,316	0	0	0	36,316	0
Total Program Receipts	\$119,849	\$214,213	\$460,109	\$413,208	\$579,958	\$627,421
General Receipts:						
Property and Other Local Taxes	117,149	72,169	0	0	117,149	72,169
Income Taxes	295,383	276,584	0	0	295,383	276,584
Other Taxes	82	0	0	0	82	0
Grants and Entitlements Not Restricted to Specific Programs	42,607	124,577	0	0	42,607	124,577
Interest	2,821	1,916	0	0	2,821	1,916
Notes Issued	0	89,269	0	0	0	89,269
Miscellaneous	19,485	28,298	12,386	4,636	31,871	32,934
Total General Receipts	513,843	592,813	12,386	4,636	489,913	597,449
Total Receipts	597,376	807,026	472,495	417,844	1,069,871	1,224,870
Disbursements:						
General Government	202,342	197,604	0	0	202,342	197,604
Security of Persons and Property:	172,315	124,884	0	0	172,315	124,884
Public Health Services	37	1,960	0	0	37	1,960
Leisure Time Activities	1,246	500	0	0	1,246	500
Community Development	36,981	25,708	0	0	36,981	25,708
Transportation	134,490	146,278	0	0	134,490	146,278
Capital Outlay	50,980	270,551	0	0	50,980	270,551
Principal Retirement	12,415	0	0	0	12,415	0
Interest and Fiscal Charges	3,755	0	0	0	3,755	0
Water Operating	0	0	147,752	145,266	147,752	145,266
Sewer Operating	0	0	259,695	209,614	259,695	209,614
Enterprise Improvement	0	0	8,874	0	8,874	0
Total Disbursements	614,561	767,485	416,321	354,880	1,030,882	1,122,365
Excess (Deficiency) Before Transfers	(17,185)	39,541	56,174	62,964	38,989	102,505
Transfers	(1,484)	(900)	1,484	900	0	0
Increase (Decrease) in Net Assets	(18,669)	38,641	57,658	63,864	38,989	102,505
Net Assets, January 1	375,686	337,045	420,026	356,162	795,712	693,207
Net Assets, December 31	\$357,017	\$375,686	\$477,684	\$420,026	\$834,701	\$795,712

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Program receipts represent 20 percent of total governmental activities receipts and are primarily comprised of restricted intergovernmental receipts such as grants and motor vehicle license and gas tax money, and other fees.

Program receipts for business-type activities equal 97 percent of total business-type activity receipts and represents receipts collected for water and sewer services provided to Village residents.

General receipts represent 86 percent of total governmental activities and 3 percent of the business-type activities total receipts. Of these amounts, 78 percent represent property and income taxes. In addition, general receipts for governmental activities consist of homestead and rollback revenue, local government assistance and local government revenue received from the State of Ohio.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, the solicitor, and RITA (Regional Income Tax Agency), as well as internal services such as payroll and purchasing.

Security of Persons and Property are the costs of police protection; Public Health Services costs are the fees paid to the health department; and Transportation costs are the costs associated with maintaining the roads.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government, security of persons and property, and transportation, which respectively account for 33%, 28%, and 22% of total governmental disbursements. The next two columns of the Statement, entitled "Program Receipts", identify amounts paid by people who are directly charged for a service, and grants received by the Village that must be used to provide a specific service. The "Net (Disbursements) Receipts" column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Table 3

	Total Cost Of Services 2005	Net Cost of Services 2005	Total Cost Of Services 2004	Net Cost of Services 2004
General Government	\$202,342	\$189,572	\$197,604	\$188,614
Security of Persons and Property	172,315	172,315	124,884	124,884
Public Health Services	37	37	1,960	1,960
Leisure Time Activities	1,246	1,246	500	500
Community Environment	36,981	32,605	25,708	20,762
Transportation	134,490	31,787	146,278	84,379
Capital Outlay	50,980	50,980	270,551	132,173
Debt Service	12,415	12,415	0	0
Other	3,755	3,755	0	0
Total Expenses	\$614,561	\$494,712	\$767,485	\$553,272

The dependence upon general receipts is apparent as 80 percent of governmental activities are supported through these general receipts in 2005.

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Business-type Activities

The water and sewer operation of the Village represent 57 percent of total Village funds. Receipts increased in 2005 due to the implementation of a flat fee rate structure. The Village continues to discuss the need for future improvements and expansions to the existing water and sewer plants.

The Village's Funds

Total governmental funds had receipts of \$597,376 and disbursements of \$610,806. The greatest change within governmental funds occurred within the Street Construction Maintenance and Repair Fund. The fund balance of the Street Construction Maintenance and Repair Fund decreased \$18,041 as the result of increased transportation expenses associated with road projects during 2005.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005, the Village amended its General Fund budget several times to reflect changing circumstances. Actual receipts were above original budgeted receipts in total for the General Fund by \$74,572 or 21 percent.

Final disbursements for the General Fund were budgeted at \$479,707, while actual disbursements were \$449,916. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances.

Debt Administration

Debt

At December 31, 2005, the Village's outstanding debt included \$520,386 in OWDA and OPWC loans issued for improvements to sewer infrastructure. Additional debt consists of a note payable in the amount of \$101,115 to First Knox National Bank for the Town Hall renovation project. For further information regarding the Village's debt, refer to Notes 11 and 12 in the notes to the basic financial statements.

Current Issues

The challenge for all Village's is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. We continue to monitor the Village's receipts and disbursements for all funds.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village of Centerburg's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Teri James, Clerk-Treasurer, Village of Centerburg, 49 ½ E. Main Street, Drawer D, Centerburg, OH 43011.

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2005**

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$357,017	\$477,684	\$834,701
<i>Total Assets</i>	<u>\$357,017</u>	<u>\$477,684</u>	<u>\$834,701</u>
Net Assets			
Restricted for:			
Capital Projects	\$78	\$0	\$78
Other Purposes	119,580	0	119,580
Unrestricted	<u>237,359</u>	<u>477,684</u>	<u>715,043</u>
<i>Total Net Assets</i>	<u>\$357,017</u>	<u>\$477,684</u>	<u>\$834,701</u>

See accompanying notes to the basic financial statements

VILLAGE OF CENTERBURG
KNOX COUNTY

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$202,342	\$12,770	\$0	\$0	(\$189,572)	\$0	(\$189,572)
Security of Persons and Property	172,315	0	0	0	(172,315)	0	(172,315)
Public Health Services	37	0	0	0	(37)	0	(37)
Leisure Time Activities	1,246	0	0	0	(1,246)	0	(1,246)
Community Environment	36,981	4,376	0	0	(32,605)	0	(32,605)
Transportation	134,490	0	66,387	36,316	(31,787)	0	(31,787)
Capital Outlay	50,980	0	0	0	(50,980)	0	(50,980)
Debt Service	12,415	0	0	0	(12,415)	0	(12,415)
Other	3,755	0	0	0	(3,755)	0	(3,755)
<i>Total Governmental Activities</i>	<u>614,561</u>	<u>17,146</u>	<u>66,387</u>	<u>36,316</u>	<u>(494,712)</u>	<u>0</u>	<u>(494,712)</u>
Business Type Activity							
Water Operating	147,752	184,238	0	0	0	36,486	36,486
Sewer Operating	259,695	275,871	0	0	0	16,176	16,176
Enterprise Improvement	8,874	0	0	0	0	(8,874)	(8,874)
<i>Total Business Type Activities</i>	<u>416,321</u>	<u>460,109</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>43,788</u>	<u>43,788</u>
Total Primary Government	<u>\$1,030,882</u>	<u>\$477,255</u>	<u>\$66,387</u>	<u>\$36,316</u>	<u>(494,712)</u>	<u>43,788</u>	<u>(450,924)</u>
General Receipts							
Property Taxes Levied for:							
General Purposes					117,149	0	117,149
Other					82	0	82
Municipal Income Taxes					295,383	0	295,383
Grants and Entitlements not Restricted to Specific Programs					42,607	0	42,607
Interest					2,821	0	2,821
Miscellaneous					19,485	12,386	31,871
<i>Total General Receipts</i>					<u>477,527</u>	<u>12,386</u>	<u>489,913</u>
Transfers					(1,484)	1,484	0
<i>Total General Receipts and Transfers</i>					<u>476,043</u>	<u>13,870</u>	<u>489,913</u>
Change in Net Assets					(18,669)	57,658	38,989
<i>Net Assets Beginning of Year</i>					<u>375,686</u>	<u>420,026</u>	<u>795,712</u>
<i>Net Assets End of Year</i>					<u>\$357,017</u>	<u>\$477,684</u>	<u>\$834,701</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	General	Street Construction Maintenance	Police Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$237,359	\$25,727	\$46,411	\$47,520	\$357,017
<i>Total Assets</i>	<u>\$237,359</u>	<u>\$25,727</u>	<u>\$46,411</u>	<u>\$47,520</u>	<u>\$357,017</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$20,406	\$0	\$0	\$0	\$20,406
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	216,953	0	0	0	216,953
Special Revenue Funds	0	25,727	46,411	47,442	119,580
Capital Projects Funds	0	0	0	78	78
<i>Total Fund Balances</i>	<u>\$237,359</u>	<u>\$25,727</u>	<u>\$46,411</u>	<u>\$47,520</u>	<u>\$357,017</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CENTERURG
KNOX COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General	Street Construction Maint	Police Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Municipal Income Taxes	\$295,383	\$0	\$0	\$0	\$295,383
Property and Other Local Taxes	42,508	0	60,997	82	103,587
Fines, Licenses and Permits	17,146	0	0	0	17,146
Intergovernmental	48,047	58,142	8,205	44,561	158,955
Interest	2,345	153	210	113	2,821
Miscellaneous	17,613	1,871	0	0	19,484
<i>Total Receipts</i>	<u>423,042</u>	<u>60,166</u>	<u>69,412</u>	<u>44,756</u>	<u>597,376</u>
Disbursements					
Current:					
General Government	200,848	0	752	743	202,343
Security of Persons and Property	105,371	0	65,443	1,500	172,314
Public Health Services	37	0	0	0	37
Leisure Time Activities	1,246	0	0	0	1,246
Community Environment	36,981	0	0	0	36,981
Transportation	53,451	78,207	0	2,833	134,491
Capital Outlay	19,161	0	0	31,818	50,979
Debt Service:					0
Principal Retirement	9,351	0	0	0	9,351
Interest and Fiscal Charges	3,064	0	0	0	3,064
<i>Total Disbursements</i>	<u>429,510</u>	<u>78,207</u>	<u>66,195</u>	<u>36,894</u>	<u>610,806</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(6,468)</u>	<u>(18,041)</u>	<u>3,217</u>	<u>7,862</u>	<u>(13,430)</u>
Other Financing (Uses)					
Transfers Out	(1,484)	0	0	0	(1,484)
Other Financing Uses	0	0	0	(3,755)	(3,755)
<i>Total Other Financing (Uses)</i>	<u>(1,484)</u>	<u>0</u>	<u>0</u>	<u>(3,755)</u>	<u>(5,239)</u>
<i>Net Change in Fund Balances</i>	<u>(7,952)</u>	<u>(18,041)</u>	<u>3,217</u>	<u>4,107</u>	<u>(18,669)</u>
<i>Fund Balances Beginning of Year</i>	<u>245,311</u>	<u>43,768</u>	<u>43,194</u>	<u>43,413</u>	<u>375,686</u>
<i>Fund Balances End of Year</i>	<u><u>\$237,359</u></u>	<u><u>\$25,727</u></u>	<u><u>\$46,411</u></u>	<u><u>\$47,520</u></u>	<u><u>\$357,017</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Municipal Income Taxes	\$226,600	\$226,600	\$295,383	\$68,783
Property and Other Local Taxes	37,416	33,885	38,977	5,092
Fines, Licenses and Permits	12,731	12,731	17,146	4,415
Intergovernmental	60,086	63,617	51,578	(12,039)
Interest	1,238	1,238	2,345	1,107
Miscellaneous	10,000	10,399	17,613	7,214
<i>Total receipts</i>	<u>348,071</u>	<u>348,470</u>	<u>423,042</u>	<u>74,572</u>
Disbursements				
Current:				
General Government	203,057	217,363	200,847	16,516
Security of Persons and Property	97,221	125,806	125,778	28
Public Health Services	2,060	128	37	91
Leisure Time Activities	5,000	1,775	1,246	529
Community Environment	16,000	41,035	36,981	4,054
Transportation	62,743	62,024	53,451	8,573
Capital Outlay	30,971	19,161	19,161	0
Debt Service:				
Principal Retirement	9,351	9,351	9,351	0
Interest and Fiscal Charges	3,064	3,064	3,064	0
<i>Total Disbursements</i>	<u>429,467</u>	<u>479,707</u>	<u>449,916</u>	<u>29,791</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(81,396)</u>	<u>(131,237)</u>	<u>(26,874)</u>	<u>104,363</u>
Other Financing Sources (Uses)				
Transfers Out	(2,000)	(2,800)	(1,484)	1,316
<i>Total Other Financing (Uses)</i>	<u>(2,000)</u>	<u>(2,800)</u>	<u>(1,484)</u>	<u>1,316</u>
<i>Net Change in Fund Balance</i>	(83,396)	(134,037)	(28,358)	105,679
<i>Fund Balance Beginning of Year</i>	210,066	210,066	210,066	0
Prior Year Encumbrances Appropriated	35,245	35,245	35,245	0
<i>Fund Balance End of Year</i>	<u>\$161,915</u>	<u>\$111,274</u>	<u>\$216,953</u>	<u>\$105,679</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
STREET CONSTRUCTION MAINTENANCE AND REPAIR FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$42,000	\$42,000	\$58,142	\$16,142
Interest	200	200	153	(47)
Miscellaneous	150	150	1,871	1,721
<i>Total receipts</i>	<u>42,350</u>	<u>42,350</u>	<u>60,166</u>	<u>17,816</u>
Disbursements				
Current:				
Transportation	61,867	85,984	78,207	7,777
<i>Total Disbursements</i>	<u>61,867</u>	<u>85,984</u>	<u>78,207</u>	<u>7,777</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(19,517)</u>	<u>(43,634)</u>	<u>(18,041)</u>	<u>25,593</u>
<i>Net Change in Fund Balance</i>	(19,517)	(43,634)	(18,041)	25,593
<i>Fund Balance Beginning of Year</i>	41,068	41,068	41,068	0
Prior Year Encumbrances Appropriated	<u>2,700</u>	<u>2,700</u>	<u>2,700</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$24,251</u></u>	<u><u>\$134</u></u>	<u><u>\$25,727</u></u>	<u><u>\$25,593</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
POLICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$55,890	\$55,890	\$60,997	\$5,107
Intergovernmental	3,441	3,441	8,205	4,764
Interest	50	50	210	160
<i>Total receipts</i>	<u>59,381</u>	<u>59,381</u>	<u>69,412</u>	<u>10,031</u>
Disbursements				
Current:				
General Government	150	760	752	8
Security of Persons and Property	59,850	65,444	65,443	1
<i>Total Disbursements</i>	<u>60,000</u>	<u>66,204</u>	<u>66,195</u>	<u>9</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(619)</u>	<u>(6,823)</u>	<u>3,217</u>	<u>10,040</u>
<i>Net Change in Fund Balance</i>	(619)	(6,823)	3,217	10,040
<i>Fund Balance Beginning of Year</i>	<u>43,194</u>	<u>43,194</u>	<u>43,194</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$42,575</u>	<u>\$36,371</u>	<u>\$46,411</u>	<u>\$10,040</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**STATEMENT OF FUND NET ASSETS - CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2005**

	Business-Type Activities			Total Enterprise Funds
	Water Operating Fund	Sewer Operating Fund	NonMajor Enterprise Fund	
Assets				
Equity in Pooled Cash and Cash Equivalents	\$164,507	\$309,734	\$3,443	\$477,684
<i>Total Assets</i>	<u>\$164,507</u>	<u>\$309,734</u>	<u>\$3,443</u>	<u>\$477,684</u>
Net Assets				
Unrestricted	<u>\$164,507</u>	<u>\$309,734</u>	<u>\$3,443</u>	<u>\$477,684</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND NET ASSETS - CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Business-Type Activities			Total Enterprise Funds
	Water Operating Fund	Sewer Operating Fund	Other Enterprise Fund	
Operating Receipts				
Charges for Services	\$184,238	\$275,871	\$0	\$460,109
<i>Total Operating Receipts</i>	<u>184,238</u>	<u>275,871</u>	<u>0</u>	<u>460,109</u>
Operating Disbursements				
Personal Services	63,493	63,646	0	127,139
Fringe Benefits	26,255	26,140	0	52,395
Contractual Services	22,861	27,841	0	50,702
Materials and Supplies	19,179	13,886	0	33,065
Other	0	2,717	0	2,717
<i>Total Operating Disbursements</i>	<u>131,788</u>	<u>134,230</u>	<u>0</u>	<u>266,018</u>
<i>Operating Income</i>	<u>52,450</u>	<u>141,641</u>	<u>0</u>	<u>194,091</u>
Non-Operating Receipts (Disbursements)				
Miscellaneous Receipts	10,656	1,730	0	12,386
Capital Outlay	(15,964)	(56,976)	(8,874)	(81,814)
Principal Payments	0	(38,789)	0	(38,789)
Interest & Other Fiscal Charges	0	(29,700)	0	(29,700)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(5,308)</u>	<u>(123,735)</u>	<u>(8,874)</u>	<u>(137,917)</u>
<i>Income (Loss) before Transfers</i>	47,142	17,906	(8,874)	56,174
Transfers In	457	1,027	0	1,484
<i>Change in Net Assets</i>	47,599	18,933	(8,874)	57,658
<i>Net Assets Beginning of Year</i>	<u>116,908</u>	<u>290,801</u>	<u>12,317</u>	<u>420,026</u>
<i>Net Assets End of Year</i>	<u>\$164,507</u>	<u>\$309,734</u>	<u>\$3,443</u>	<u>\$477,684</u>

See accompanying notes to the basic financial statements

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**VILLAGE OF CENTERBURG
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Note 1 – Reporting Entity

The Village of Centerburg, Knox County, Ohio (the Village), is a body politic and corporate 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 six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

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

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services.

B. Jointly Governed Organization

As detailed in Note 16, the Village participates in the Central Ohio Joint Fire District, which is a jointly governed organization.

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories, governmental and proprietary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are the General Fund, Street Construction Maintenance and Repair Fund, and the Police Fund.

The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio. The Street Construction Maintenance and Repair Fund receives gasoline tax and motor vehicle tax money for constructing, repairing, and maintaining the Village streets. The Police Levy Fund receives property tax revenue to pay for contracted police services with the Knox County Sheriff's Department. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise funds.

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Proprietary Funds (continued)

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the Water Fund and Sewer Fund.

Water Fund - The water fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the function level for all funds

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

E. Cash

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During 2005, the Village had a money market savings account.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$2,345.

F. Accumulated Leave

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

G. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

H. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

I. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for the Street Construction Maintenance and Repair Fund for road maintenance projects and in the Police Fund to be utilized to provide police services to the Village.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

J. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

K. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds as nonoperating receipts/disbursements in proprietary funds.

Note 3 – Change in Accounting Principles

For fiscal year 2005, the Village has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "*Deposits and Investment Risk Disclosure*". GASB Statement No. 40 creates new disclosure requirements for deposits and investments related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The implementation of this statement had no effect on the Village's financial statements for fiscal year 2005.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Street Construction Maintenance and Repair Fund, and the Police Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$20,406 for the General Fund.

Note 5 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 5 – Deposits and Investments (Continued)

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

At December 31, 2005, the carrying value of all of the Village deposits was \$834,701. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of December 31, 2005, \$827,113 of the Village's bank balance of \$927,113 was exposed to custodial credit risk as discussed below, while \$100,000 was covered by the Federal Deposit Insurance Corporation. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Village to a successful claim by the FDIC.

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 5 – Deposits and Investments (Continued)

system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Village.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Note 6 – Income Taxes

The Village levies a one percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or fifty percent of the one percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. Taxes are administered on behalf of the Village by the Regional Income Tax Agency (RITA).

Note 7 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 7 – Property Taxes (Continued)

The full tax rate for all Village operations for the year ended December 31, 2005, was \$8.60 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$12,259,930
Agriculture	40,020
Commercial/Industrial/Mineral	3,522,760
Public Utility Property	
Personal	474,050
Tangible Personal Property	543,805
Total Assessed Value	\$16,840,565

Note 8 – Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2005 and 2004:

	2005	2004
Assets	\$8,219,430	\$6,685,522
Liabilities	(2,748,639)	(2,227,808)
Members' Equity	\$5,470,791	\$4,457,714

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 9 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. The employer contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$29,268, \$27,973, and \$25,132 respectively. The full amount has been contributed for 2005, 2004, and 2003.

Note 10 - Postemployment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases.

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 10 - Postemployment Benefits (Continued)

Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual Village contributions for 2005 which were used to fund postemployment benefits were \$8,640. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

Note 11 - Notes Payable

A summary of the note transactions for the year ended December 31, 2005, follows:

	Interest Rate	Balance December 31, 2004	Reductions	Balance December 31, 2005
<u>Governmental Activities</u>				
<u>Town Hall Renovation</u>				
2004 Cap Improvement Note	3.65%	\$ 110,466	\$ 9,351	\$ 101,115

Note 12 - Debt

The Village's long-term debt activity for the year ended December 31, 2005, was as follows:

Business-Type Activities	Interest Rate	Balance December 31, 2004	Reductions	Balance December 31, 2005	Due Within One Year
OWDA Sewer Loan	8.35%	\$ 425,822	\$ 31,062	\$394,760	\$33,655
OPWC Loan -Water and Sewer Line	0.00%	114,460	6,733	107,727	6,733
OPWC Loan - Willis St Project	0.00%	18,893	994	17,899	994
Total Business-Type Activities		\$559,175	\$38,789	\$520,386	\$41,382

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 12 – Debt (Continued)

The Ohio Water Development Authority (OWDA) loan relates to a sewer system expansion project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments, including interest, over 25 years. The loan is secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) – Water and Sewer Line loan relates to a water and sewer line replacement project. The OPWC approved \$ 134,659 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$3,367 with no interest over twenty years.

The Ohio Public Works Commission (OPWC) – Willis Street Project loan relates to a sanitary sewer replacement project. The OPWC approved \$19,887 in loans to the Village for this project. The loan will be repaid in semiannual installments of \$497, with no interest, over twenty years.

The following is a summary of the Village’s future annual debt service requirements:

Year	OWDA Loan		OPWC Loans
	Principal	Interest	Principal
2006	33,655	32,834	7,728
2007	36,465	30,024	7,728
2008	39,510	26,979	7,728
2009	42,809	23,680	7,728
2010	46,384	20,106	7,728
2011 – 2015	195,937	38,310	38,637
2016 – 2020	0	0	38,637
2021 – 2025	0	0	9,712
Totals	<u>\$394,760</u>	<u>\$171,933</u>	<u>\$125,626</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2005 were an overall debt margin of \$1,768,259 and an un-voted debt margin of \$926,231.

Note 13 – Interfund Transfers

During 2005 the following transfers were made:

<u>Transfers from the General Fund to:</u>	
Water fund	\$ 457
Sewer Fund	1,027
Total Transfers from the General Fund	<u>\$ 1,484</u>

Transfers to the Enterprise funds from the General Fund were to allocate a portion of interest earnings to those funds during 2005.

VILLAGE OF CENTERBURG
KNOX COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)

Note 15 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the state government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 16 – Jointly Governed Organizations

The Central Ohio Joint Fire District (the District) is a jointly governed organization pursuant to the Ohio Revised Code § 505.371. The District was formed in 2000, and consists of Hillar, Milford, and Liberty Townships, and the Village of Centerburg. The District Board consists of a Trustee from each Township, a Council Member from the Village of Centerburg, and an at-large member appointed by a vote of the District Board. Revenues are generated from a 5.5 mil operating levy.



Auditor of State Betty Montgomery

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

Village of Centerburg
Knox County
49 ½ East Main Street
Centerburg, Ohio 43011

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Centerburg, Knox County, Ohio, (the Village) as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements and have issued our report thereon dated July 24, 2006, wherein we noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Village's management dated July 24, 2006, we reported a matter related to noncompliance we deemed immaterial.

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www.auditor.state.oh.us

Village of Centerburg
Knox County
Independent Accountants' Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Required by
Government Auditing Standards
Page 2

We intend this report solely for the information and use of the audit committee, management and Village Council. It is not intended for 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

July 24, 2006

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	ORC§ 5705.14, § 5735.27, OAG Opinion 37-880 – improper transfer and expenditure of motor vehicle license tax.	Yes	Fully corrected.



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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800-282-0370

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VILLAGE OF CENTERBURG

KNOX 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
SEPTEMBER 21, 2006**