



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF CENTERVILLE
GALLIA COUNTY

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INDEPENDENT AUDITOR'S REPORT

Village of Centerville
Gallia County
P.O. Box 8
Thurman, Ohio 45685

To the Village Council:

Report on the Audit of the Financial Statements

Qualified, Unmodified and Adverse Opinions

We have audited the financial statements of the Village of Centerville, Gallia County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements.

Qualified Opinion on the 2021 Proprietary Fund Type on the Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for the proprietary fund type as of and for the year ended December 31, 2021, and the related notes of the Village of Centerville, Gallia County, in accordance with the financial reporting provisions the Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(C) permit, described in Note 2.

Unmodified Opinion on the Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the year ended December 31, 2022 and each governmental fund type for the year ended December 31, 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(C) permit, described in Note 2.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* section of our report, the accompanying financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village, as of December 31, 2022 and 2021, or the changes in financial position or, where applicable, cash flows thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Additional Opinion Qualification

Charges for Services receipts in the Sewer Fund are reported at \$28,777 for the year ended December 31, 2021. We were unable to obtain sufficient appropriate audit evidence supporting \$12,370 or 43% of the amount recorded as Sewer Fund Charges for Services receipts for the year ended December 31, 2021. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the financial statements are prepared by the Village on the basis of the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the Village has suffered recurring losses from sewer operations and has a net-deficiency. Note 12 also describes management's evaluation of the events and conditions and their plans to mitigate these matters. Our opinion is unmodified regarding this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2024, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

February 28, 2024

Village of Centerville
Gallia County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2022

	General	Special Revenue	Combined Total
Cash Receipts			
Property and Other Local Taxes	\$114	\$0	\$114
Intergovernmental	64,429	10,825	75,254
Charges for Services	6,572	0	6,572
Miscellaneous	9,875	0	9,875
<i>Total Cash Receipts</i>	<u>80,990</u>	<u>10,825</u>	<u>91,815</u>
Cash Disbursements			
Current:			
Security of Persons and Property	35,217	8,760	43,977
Transportation	0	8,899	8,899
General Government	41,072	0	41,072
Debt Service:			
Principal Retirement	6,656	0	6,656
Interest and Fiscal Charges	1,196	0	1,196
<i>Total Cash Disbursements</i>	<u>84,141</u>	<u>17,659</u>	<u>101,800</u>
<i>Net Change in Fund Cash Balances</i>	(3,151)	(6,834)	(9,985)
<i>Fund Cash Balances, January 1</i>	<u>6,021</u>	<u>42,882</u>	<u>48,903</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$2,870</u></u>	<u><u>\$36,048</u></u>	<u><u>\$38,918</u></u>

See accompanying notes to the basic financial statements

Village of Centerville, Ohio
Gallia County
Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2022

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$34,961
<i>Total Operating Cash Receipts</i>	<u>34,961</u>
Operating Cash Disbursements	
Personal Services	1,200
Employee Fringe Benefits	185
Contractual Services	21,456
Supplies and Materials	1,123
<i>Total Operating Cash Disbursements</i>	<u>23,964</u>
<i>Operating Income (Loss)</i>	<u>10,997</u>
Non-Operating Receipts (Disbursements)	
Principal Retirement	(13,696)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(13,696)</u>
<i>Net Change in Fund Cash Balances</i>	(2,699)
<i>Fund Cash Balances, January 1</i>	<u>(3,424)</u>
<i>Fund Cash Balances, December 31</i>	<u><u>(\$6,123)</u></u>

See accompanying notes to the basic financial statements

Village of Centerville, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 1 – Reporting Entity

The Village of Centerville (the Village), Gallia County, 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. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities, fire protection, and maintenance of street lighting, The Village contracts with the Gallia County Sheriff's department to provide security of persons and property.

Public Entity Risk Pool

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 6 to the financial statements provide additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are all organized on a fund type basis.

Fund Accounting

The Village uses funds 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. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported 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.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Coronavirus Relief Fund The coronavirus relief fund accounts for and reports that portion of the coronavirus relief funds to respond to the COVID-19 pandemic.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

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

Village of Centerville, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2022
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C) permit.

Budgetary Process

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

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 Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be reappropriated. Encumbrances outstanding at year end are canceled and reappropriated in the subsequent year.

A summary of 2022 budgetary activity appears in Note 3.

Capital Assets

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

Fund Balance

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

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

Village of Centerville, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2022
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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

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

For regulatory purposes, limited disclosure related to fund balance is included in Note 10.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2022 follows:

2022 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$60,270	\$80,990	\$20,720
Special Revenue	9,893	10,825	932
Enterprise	30,600	34,961	4,361
Total	\$100,763	\$126,776	\$26,013

Village of Centerville, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2022
(Continued)

Note 3 – Budgetary Activity (Continued)

2022 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$53,246	\$84,141	(\$30,895)
Special Revenue	16,516	17,659	(1,143)
Enterprise	28,582	39,386	(10,804)
Total	\$98,344	\$141,186	(\$42,842)

Contrary to Ohio Law, the Sewer Fund had a deficit fund balance of \$6,123 at December 31, 2022. Also, contrary to Ohio Law, expenditures exceeded appropriations by \$30,895 in the General Fund, \$2,399 in the Street Fund, \$251 in the Highway Fund and \$10,804 in the Sewer Fund.

Note 4 – Deposits

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village’s deposit accounts are as follows:

Demand deposits	2022 \$32,795
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The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2022, the village is holding \$886 in unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Village of Centerville, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2022
(Continued)

Note 6 – Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and has remain unchanged. OPRM had 773 members as of December 31, 2022.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2022.

Assets	\$ 21,662,291
Liabilities	<u>(18,158,351)</u>
Members' Equity	<u>\$ 3,503,940</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2022.

Social Security

The Village Council Members contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2022.

Village of Centerville, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2022
(Continued)

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2022. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2022.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

Note 9 – Debt

Debt outstanding at December 31, 2022, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2016 Ohio Valley Bank	\$9,002	4.58%
OPWC Sewer Loan #CU04P	\$3,099	0.00%
2021 Ohio Valley Bank	9,060	4.75%
Total	\$21,161	

Amortization

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

<u>Year Ending December 31:</u>	<u>2016 Ohio Valley Bank</u>	<u>OPWC Sewer Loan #CU04P</u>	<u>2021 Ohio Valley Bank</u>
2023	\$9,154	\$148	\$4,256
2024		148	4,256
2025		148	1,064
2026		147	
2027		147	
2028-2032		738	
2033-2037		738	
2038-2042		738	
2043		147	
Total	\$9,154	\$3,099	\$9,576

Village of Centerville, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2022
(Continued)

Note 10 – Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

The fund balance of special revenue funds is either restricted or committed. These restricted and committed amounts in the special revenue funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned. There were no encumbrances outstanding at year end.

Note 11 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. During 2022, the Village received COVID-19 funding. The Village will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

Note 12 – Financial Distress

Expenses have exceeded revenues for the years of 2005, 2006, 2007, 2008, 2009, 2010, 2012, 2014, 2017, 2018, 2019, 2020 and 2022 in the Sewer Fund. The Sewer Fund reflected a deficit balance of \$6,123 at the end of 2022. While the Village is in a positive cash balance position, most of the cash is in the Special Revenue Funds. The use of these funds is limited by statute and, therefore, the Village is not permitted to use these monies to remedy the deficit balances.

The Village Council is looking into various ways for the Sewer Fund to operate efficiently, including raising sewer rates in 2022. There are various remedies available, the most severe of which include placing the Village on fiscal watch or fiscal emergency. The Village does not know if such action will be taken.

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Village of Centerville
Gallia County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2021

	General	Special Revenue	Combined Total
Cash Receipts			
Property and Other Local Taxes	\$95	\$0	\$95
Intergovernmental	58,185	11,607	69,792
Charges for Services	7,235	0	7,235
Miscellaneous	13,426	0	13,426
<i>Total Cash Receipts</i>	<u>78,941</u>	<u>11,607</u>	<u>90,548</u>
Cash Disbursements			
Current:			
Security of Persons and Property	47,576	15,055	62,631
Transportation	0	1,112	1,112
General Government	43,168	0	43,168
Debt Service:			
Principal Retirement	5,500	0	5,500
Interest and Fiscal Charges	1,713	0	1,713
<i>Total Cash Disbursements</i>	<u>97,957</u>	<u>16,167</u>	<u>114,124</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(19,016)</u>	<u>(4,560)</u>	<u>(23,576)</u>
Other Financing Receipts (Disbursements)			
Other Debt Proceeds	15,455	0	15,455
Transfers Out	(17,700)	0	(17,700)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(2,245)</u>	<u>0</u>	<u>(2,245)</u>
<i>Net Change in Fund Cash Balances</i>	(21,261)	(4,560)	(25,821)
<i>Fund Cash Balances, January 1</i>	<u>27,282</u>	<u>47,442</u>	<u>74,724</u>
<i>Fund Cash Balances, December 31</i>	<u>\$6,021</u>	<u>\$42,882</u>	<u>\$48,903</u>

See accompanying notes to the basic financial statements

Village of Centerville, Ohio
Gallia County
Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2021

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$28,777
<i>Total Operating Cash Receipts</i>	<u>28,777</u>
Operating Cash Disbursements	
Personal Services	1,200
Employee Fringe Benefits	185
Contractual Services	20,215
Supplies and Materials	198
<i>Total Operating Cash Disbursements</i>	<u>21,798</u>
<i>Operating Income (Loss)</i>	<u>6,979</u>
Non-Operating Receipts (Disbursements)	
Principal Retirement	(13,250)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(13,250)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	(6,271)
Transfers In	17,700
<i>Net Change in Fund Cash Balances</i>	11,429
<i>Fund Cash Balances, January 1</i>	<u>(14,853)</u>
<i>Fund Cash Balances, December 31</i>	<u><u>(\$3,424)</u></u>

See accompanying notes to the basic financial statements

Village of Centerville, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 1 – Reporting Entity

The Village of Centerville (the Village), Gallia County, 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. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities, fire protection, and maintenance of street lighting, The Village contracts with the Gallia County Sheriff's department to provide security of persons and property.

Public Entity Risk Pool

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 6 to the financial statements provide additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are all organized on a fund type basis.

Fund Accounting

The Village uses funds 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. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported 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.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund

Coronavirus Relief Fund The coronavirus relief fund accounts for and reports that portion of the coronavirus relief funds to respond to the COVID-19 pandemic.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges The Village had the following significant Enterprise Fund:

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

Village of Centerville, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2021
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C) permit.

Budgetary Process

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

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 Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be reappropriated. Encumbrances outstanding at year end are canceled and reappropriated in the subsequent year.

A summary of 2021 budgetary activity appears in Note 3.

Capital Assets

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

Fund Balance

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

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

Village of Centerville, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2021
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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

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

For regulatory purposes, limited disclosure related to fund balance is included in Note 10.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$89,904	\$94,396	\$4,492
Special Revenue	9,893	11,607	1,714
Enterprise	50,600	46,477	(4,123)
Total	\$150,397	\$152,480	\$2,083

Village of Centerville, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2021
(Continued)

Note 3 – Budgetary Activity (Continued)

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$113,897	\$115,657	(\$1,760)
Special Revenue	41,584	16,167	25,417
Enterprise	36,774	35,048	1,726
Total	\$192,255	\$166,872	\$25,383

Contrary to Ohio Law, the Sewer Fund had a deficit fund balance of \$3,424 at December 31, 2021. Also, contrary to Ohio Law, expenditures exceeded appropriations by \$1,760 in the General Fund.

Note 4 – Deposits

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village’s deposit accounts are as follows:

Demand deposits	2021 \$45,479
-----------------	------------------

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2021, the village is holding \$867 in unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Village of Centerville, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2021
(Continued)

Note 6 – Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and remain unchanged. OPRM had 769 members as of December 31, 2021.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2021.

Assets	\$ 21,777,439
Liabilities	<u>(15,037,383)</u>
Members' Equity	<u>\$ 6,740,056</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

Social Security

The Village Council Members contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

Village of Centerville, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2021
(Continued)

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2021.

Note 9 – Debt

Debt outstanding at December 31, 2021, was as follows:

	Principal	Interest Rate
2016 Ohio Valley Bank	\$23,970	3.58%
OPWC Sewer Loan #CT41B	\$1,511	0.00%
OPWC Sewer Loan #CU04P	\$3,247	0.00%
2021 Ohio Valley Bank	12,781	4.75%
Total	\$41,509	

Amortization

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

Year Ending December 31:	2016 Ohio Valley Bank	OPWC Sewer Loan	OPWC Sewer Loan #CU04P	2021 Ohio Valley Bank
2022	\$15,633	\$1,511	\$148	\$4,256
2023	9,154		148	4,256
2024			148	4,256
2025			147	1,064
2026			147	
2027-2031			738	
2032-2036			738	
2037-2041			738	
2042-2043			295	
Total	\$24,787	\$1,511	\$3,247	\$13,832

Note 10 – Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

Village of Centerville, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2021
(Continued)

Note 10 – Fund Balances (Continued)

The fund balance of special revenue funds is either restricted or committed. These restricted and committed amounts in the special revenue funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned. There were no encumbrances outstanding at year end.

Note 11 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. During 2021, the Village received COVID-19 funding. The Village will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

Note 12 – Financial Distress

Expenses have exceeded revenues for the years of 2005, 2006, 2007, 2008, 2009, 2010, 2012, 2014, 2017, 2018, 2019, and 2020 in the Sewer Fund. The Sewer Fund reflected a deficit balance of \$3,424 at the end of 2021. While the Village is in a positive cash balance position, most of the cash is in the Special Revenue Funds. The use of these funds is limited by statute and, therefore, the Village is not permitted to use these monies to remedy the deficit balances.

The Village Council is looking into various ways for the Sewer Fund to operate efficiently, including raising sewer rates in 2022. There are various remedies available, the most severe of which include placing the Village on fiscal watch or fiscal emergency. The Village does not know if such action will be taken.

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OHIO AUDITOR OF STATE KEITH FABER



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

Village of Centerville
Gallia County
P.O. Box 8
Thurman, Ohio 45685

To the Village Council:

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2022 and 2021 and the related notes to the financial statements of the Village of Centerville, Gallia County, (the Village) and have issued our report thereon dated February 28, 2024, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We also noted the Village was experiencing financial difficulties. We also qualified our opinion on the Sewer Fund operating receipts for the year ended December 31, 2021 for the lack of sufficient appropriate audit evidence supporting amounts recorded as Charges for Services.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2022-002 through 2022-005 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items 2022-001, 2022-002 and 2022-004.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

February 28, 2024

**VILLAGE OF CENTERVILLE
GALLIA COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2022 AND 2021**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2022-001

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, as of December 31, 2022, the Village had expenditures in excess of appropriations in the amount of \$30,895 in the General Fund, \$2,399 in the Street Fund, \$251 in the Highway Fund, and \$10,804 in the Sewer Fund. In addition, as of December 31, 2021, the Village had expenditures in excess of appropriations in the amount of \$1,760 in the General Fund.

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Village Council should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

FINDING NUMBER 2022-002

Noncompliance and Material Weakness

Ohio Admin. Code 117-2-02(D) and (E) states all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides and should consider the degree of automation and other factors. Such records should include the following utilities billing records:

- i. Master file of service address, account numbers, billing address, type of services provided, and billing rates;
- ii. Accounts receivable ledger for each service type, including for each customer account, the outstanding balance due as of the end of each billing period (with an aging schedule for past due amounts), current usage and billing amount, delinquent or late fees due, payments received and noncash adjustments, each maintained by date and amount;
- iii. Cash receipts records, recording cash received and date received on each account. This information should be used to post payments to individual accounts in the accounts receivable ledger described above.

The Village offers sewage services to its residents for a flat rate. Manual tracking sheets are maintained which indicate the customer name and amount paid for that month. The Village did not maintain supporting documents for the amounts billed. There were no duplicate receipts or other support for the receipt transactions other than recording the amount and date on the tracking sheets. A copy of the deposit slips are imaged on the monthly bank statements which list all amounts collected and included the customers' last names, if paid by check.

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2022 AND 2021
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2022-002 (Continued)

Noncompliance and Material Weakness (Continued)

During 2021, the Village was unable to locate the tracking sheets for January through May. There was no support for Sewer Charges for Services receipts totaling \$12,370 which is 43% of total Sewer Fund Charges for Services reported on the financial statements for the year ended December 31, 2021. Without the tracking sheets, we were unable to determine which accounts made payments each month.

The Village minutes also indicate that delinquent accounts exist, however there were no records to support the delinquent accounts. In prior audits, the tracking sheets included the amount billed each month which would indicate customers with bills above the normal monthly fee. However, in the current audit, only printed copies of the tracking sheets were available for collections from June 2021 through December 2022 (bills for May 2021 through November 2022), and if the billed amount was still included on the tracking spreadsheets, the billed amount was hidden before printing and the Village was unable to locate the original excel files. We noted the December 2022 tracking sheet included a carryover balance column, but we were unable to test that balance column as no other months provided a balance remaining column.

During both years, we noted the Fiscal Officer started indicating which deposit each accounts receipt was included on. For example, the deposit number column indicated 6-1 which means the receipt was included in the first deposit in June or 6-2 which means the receipt was included in the 2nd deposit in June, etc. This did help determine amounts received were deposited and posted to UAN. However, errors were noted on the tracking sheets when comparing to the bank deposits and UAN receipts as follows:

- For June 2021, we noted the tracking sheet indicated receipts on the 3rd June deposit totaled \$350 but the bank deposit and UAN receipt totaled \$400. We were unable to read the name on the deposit ticket to determine which account did not indicate payment was received.
- In August 2021, we noted a customer had pre-paid in May (per notes on the August tracking sheet) but on the August sheet the payment but indicated a payment date of May 15th. This \$300 was included in the receipt total at the bottom of the tracking sheet but was not an August collection so bank deposits and UAN receipts for August were \$300 less than the total on the tracking sheet since that amount was previously received. This did not represent an August receipt and should not have been recorded as one on the August tracking sheet.
- In October 2021, we noted the tracking sheet indicated receipts on the 2nd October deposit totaled \$770. When recalculating receipts, the tracking sheet calculates to \$830. When comparing to the actual deposit, the total deposited with the bank and receipted in UAN was \$820. We noted one account was posted as making a \$60 payment, but the deposit ticket indicates the customer paid by check and paid \$50 explaining the difference between the calculated amount and actual deposit.
- Also in October 2021, we noted the tracking sheet indicated receipts on the 4th October deposit totaled \$160 but the bank deposit and UAN receipt totaled \$360. A review of the deposit ticket indicates a customer paid \$200 that was not noted on the tracking sheet. Further, the tracking sheet indicated no further deposits for October, but a review of the bank statement indicates a 5th deposit for \$50. A review of the deposit ticket indicates a customer made a \$50 payment that was not noted on the tracking sheet.

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2022 AND 2021
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2022-002 (Continued)

Noncompliance and Material Weakness (Continued)

- In February 2022, we noted the tracking sheet indicated receipts of the 4th February deposit totaled \$110 but the bank deposit and UAN receipt totaled \$160. A review of the deposit ticket indicates a customer paid \$50 that was not recorded on the tracking sheet. Further, the tracking sheet indicated no further deposits for February, but a review of the bank statement indicates a 5th deposit for \$100. A review of the deposit ticket indicates two customers paid \$50 each that were not noted on the tracking sheet.
- In May 2022, we noted a 5th deposit for \$110 that was recorded as a receipt on the June tracking sheet.
- In June 2022, we noted an amount recorded in the paid amount column for \$135 but no payment date, type of payment (check, cash, money order) and no deposit number noted so we cannot determine if a payment was made or if this was typed in the paid amount column in error. There is no deposit of this amount in June and no UAN receipt for this amount.
- In November 2022, we noted the first deposit for the month was \$890 but the tracking sheet calculated to \$900. A review of the deposit ticket indicated a customer check was for \$50 but \$60 was credited to their account per the tracking sheet.
- In December 2022, we noted the tracking sheet indicated receipts on the 6th December deposit totaled \$60 but the bank deposit and UAN receipt totaled \$240. A review of the deposit ticket indicates a customer paid \$60 and a customer paid \$120 that were not noted on the tracking sheet.

We selected one month each year to determine if accounts with no payments in the month selected paid the amount due in a subsequent month. We selected July 2021 bill (payments made in August 2021) and the June 2022 bill (payments made in July 2022). We noted 7 accounts with no payments in August 2021 and 10 accounts with no payments in July 2022. From those, we noted the following:

July 2021 bill due in August 2021:

- One account paid \$60 in September indicating they only paid the July charge plus late fee but not the subsequent August charge.
- One account paid \$160 in September indicating more than one month was past due.
- Two accounts did not make any payments for the rest of the year.
- One account paid \$330 in September but there was no indication if the account was several months past due or if the customer was prepaying future amounts due. We were unable to verify any prepayments in previous months.
- Two accounts made no payments until October but paid only \$50 each indicating they were still in a delinquent status.

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2022 AND 2021
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2022-002 (Continued)

Noncompliance and Material Weakness (Continued)

June 2022 bill due in July 2022:

- One paid the correct amount in the subsequent month, including late fee.
- One account paid \$10 more than the calculated amount due the following month.
- Two accounts had a history of prepayment and we verified accounts had been paid in advance, so no payment was due. However, the July tracking sheet has no indication no payment is due.
- One account paid \$200 in August and one paid \$380 in September but there was no indication if the accounts were several months past due or if the customers were prepaying future amounts due. We were unable to verify any prepayments in previous months.
- One account was still listed on the tracking sheet, but we were able to verify the account had been disconnected in the prior year.
- Three accounts made a \$50 payment in the subsequent month but no other payments the rest of the year indicating they were still in a delinquent status.

The tracking sheets used by the Village lack appropriate supporting documentation. Failure to maintain billing reports raises questions as to whether correct charges were billed to customers. Failure to accurately report receipts raise questions as to whether accounts are correctly credited when payment is made. Failure to track delinquent balances each month also raises questions as to if unpaid balances are carried forward to the subsequent months bill. Errors noted above indicate that payments are made and not credited to the account but there is no record of the billed amount in the subsequent month to determine if the balance was carried forward or if the Fiscal Officer caught the error prior to the subsequent billing. Inadequate supporting documentation eliminates a significant control point, obscures the audit trail and provides for the opportunity for errors, fraud, and irregularities occurring and not being detected by management in a timely manner.

The Village should keep all documentation to support sewer collections, billings and delinquent accounts. Failure to retain the monthly tracking sheets for January through May 2021 collections has resulted in the inability to determine that all sewer fees were accounted for on the financial statements and has resulted in a qualified audit opinion regarding the Village's 2021 Sewer Fund Charges for Services receipts.

The Village should maintain ledgers showing billed amounts, paid amounts, dates paid, and remaining balance by customer for each month. The Village should also timely reconcile monthly utility receipts to the amounts deposited into the bank and investigate any variances. The Village should show for each month the balance in any account that prepaid and should remove accounts that have been disconnected. Finally, the Village should strongly consider using a utility computer software program that will provide the reports noted above.

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2022 AND 2021
(Continued)**

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

FINDING NUMBER 2022-003

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Council to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Village, and the appropriation ledger provides the process by which the Village controls spending, it is therefore necessary the amounts appropriated by the Council are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

At December 31, 2021, estimated receipts as approved by the Budget Commission did not agree to the Village's accounting system as follows:

Fund	Approved Amount	Amount per UAN	Variance
General	\$ 89,904	\$ 94,427	\$ (4,523)
Street	4,400	5,988	(1,588)
Highway	360	545	(185)

At December 31, 2021, estimated receipts as approved by the Budget Commission did not agree to the Village's Notes to the Financial Statements as follows:

Fund	Approved Amount	Amount per Notes	Variance
General	\$ 89,904	\$ 94,427	\$ (4,523)
Special Revenue	9,893	11,666	(1,773)

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2022 AND 2021
(Continued)**

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

FINDING NUMBER 2022-003 (Continued)

Material Weakness (Continued)

At December 31, 2021, approved appropriations did not agree to the Village's accounting system as follows:

Fund	Approved Amount	Amount per UAN	Variance
General	\$ 113,477	\$ 108,024	\$ 5,453
Street	10,888	12,000	(1,112)
American Rescue Plan	15,055	979	14,076

At December 31, 2021, approved appropriations did not agree to the Village's Notes to the Financial Statements as follows:

Fund	Approved Amount	Amount per Notes	Variance
General	\$ 113,477	\$ 108,900	\$ 4,577
Special Revenue	26,243	22,620	3,623

At December 31, 2022, approved appropriations did not agree to the Village's Notes to the Financial Statements as follows:

Fund	Approved Amount	Amount per Notes	Variance
General	\$ 53,246	\$ 53,716	\$ (470)

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) approved by the Council were not properly posted to the accounting system. Additionally, the approved Certificate of Estimated Resources (and/or amendments thereof) was not properly posted to the accounting system.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could and did lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Council. The Village should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2022 AND 2021
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2022-004

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(l) requires that money paid into any fund shall be used only for the purposes for which such fund is established.

Therefore, a negative fund cash balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance.

The Village issued a note on July 12, 2013 for \$92,084 that was used to pay off a previous Sanitary Sewer Note balance of \$68,825 as well as the balance of the Fire Truck Note of \$22,326. This note was refinanced on August 4, 2016 to include an additional \$20,000. The proceeds of this refinance were used to pay for new sewer pumps and for the hauling of them.

According to the loan agreement, if the Village were to default on this 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 payment of money from this financial institution, including any deposits 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 have under state or federal law. The Village maintains its checking account with the same financial institution; therefore, the stated above lending institution would have the right to seize the Village's account balance if a default occurs.

Additionally, the Village issued OPWC Notes in 2002 and 2013 which require the Village to at all times prescribe and charge such rates, fees, charges or taxes as shall result in revenues at least adequate to meet operation, maintenance and all expenses of the Utility and the payment of all amounts required by the Notes.

At December 31, 2021, the Village had a balance of \$6,021 in the General Fund and a deficit balance of \$3,424 in the Sewer Fund. At December 31, 2022, the Village had a balance of \$2,870 in the General Fund and a deficit balance of \$6,123 in the Sewer Fund. Per review of the Sewer Fund activity for 2021 and 2022, the fund ran in a deficit throughout 2022 and fluctuated between a positive and negative balance in 2021. Negative fund balances could result in the use of restricted receipts for unallowable purposes. A procedure and control, such as the Council's periodic review of reports that show cash fund balances, and budgeted versus actual receipts and disbursements, should be implemented to identify those funds that may potentially develop a negative balance.

The Village should also develop a plan to generate sufficient revenues to pay the General Obligation Note - Sanitary Sewer portion and OPWC Notes and maintain a reserve balance in the event the sanitary sewer system is in need of substantial repairs. Potential solutions for generating additional revenue include but are not limited to levying a new tax, implementing a user-based fee as opposed to a flat rate, or pursuing grant funding.

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2022 AND 2021
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2022-005

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Fiscal Officer posted fund balance adjustments during 2021, resulting in material audit adjustments as follows:

- General Fund beginning balance increased \$2,209 to eliminate Fiscal Officer's fund balance adjustment which was offset by an decrease of \$193 for prior audit adjustments not posted until 2022.
- Sewer Fund beginning balance decreased \$1,910 for prior audit adjustments not posted until 2022.
- General Fund General Government disbursements increased \$46 due to unposted 2021 disbursements.
- State Highway Fund Intergovernmental receipts decreased \$60 due to over posting a receipt.

During 2022, the Village Fiscal Officer recorded a General Fund Miscellaneous receipt of \$758 that was a duplicate posting. Therefore, General Fund Miscellaneous Receipts were decreased \$758 in the audited financial statements. This item carried as a deposit in transit at December 31, 2022 but should be marked void so the fund balance will decrease accordingly in the client's accounting system.

During 2022, the Village also had unrecorded encumbrances in the amount of \$1,726. This resulted in an increase to budgeted expenditures in the Notes to the Financial Statements.

The audited financial statements and the Village's UAN accounting system have been adjusted for the issues noted above.

The Village Fiscal Officer should only post fund balance adjustments when required to do so for audit adjustments. Additionally, when reconciling errors are noted, such as duplicate posting of receipts, corrections should be made at that time instead of carrying the item forward.

Officials' Response: We did not receive a response from Officials to the findings reported above.

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2022 AND 2021**

Finding Number	Finding Summary	Status	Additional Information
2020-001	Noncompliance with Ohio Rev. Code § 5705.41(B) for expenditures plus encumbrances exceeding appropriations	Not Corrected	The interim fiscal officer had no knowledge of the transactions or how to respond to the prior findings.
2020-002	Material Weakness for approved budgetary amounts not agreeing to the UAN system	Not Corrected	The interim fiscal officer had no knowledge of the transactions or how to respond to the prior findings.
2020-003	Material weakness for insufficient revenues to repay General Obligation Note – Sanitary Sewer portion	Not Corrected	The interim fiscal officer had no knowledge of the transactions or how to respond to the prior findings.
2020-004	Material weakness for inadequate record keeping over utility receipts	Not Corrected	The interim fiscal officer had no knowledge of the transactions or how to respond to the prior findings.
2020-005	Material weakness for accounting system mispostings	Not Corrected	The interim fiscal officer had no knowledge of the transactions or how to respond to the prior findings.

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF CENTERVILLE

GALLIA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 3/21/2024

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov