



Dave Yost • Auditor of State

VILLAGE OF CENTERBURG
KNOX COUNTY

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Dave Yost • Auditor of State

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, 2011, 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(A) mandates 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, 2011, and the respective changes in cash financial position and where applicable, cash flows, and the respective budgetary comparisons for the General, Street Construction, Maintenance and Repair, and Police Funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 2, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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.

We conducted our audit to opine on the Village's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities and long-term debt. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

April 30, 2012

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

This discussion and analysis of the Village of Centerburg's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2011, 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 the Village's financial performance.

Highlights

Key highlights for 2011 are as follows:

The Village of Centerburg formed Centerburg Township, which will result in additional tax revenues for the Village and a reduction in taxes paid by Village residents. (Actual receipt of tax money will not be until 2012.) The Village entered into a 3-year lease agreement with the Hilliar Township Trustees to share the cost of maintaining the Centerburg Memorial Park until the Centerburg Joint Recreation District can develop a plan for funding.

Net assets of the Village of Centerburg decreased \$50,084, or 4 percent. Net assets of governmental activities decreased \$41,935, or 9 percent from the prior year. There were several paving projects completed in 2011 and a larger percentage of street wages paid out of Street Funds than in previous years.

The Village has three major Enterprise Funds. The Water Fund balance increased by \$17,283, due to a rate increase that went into effect on May 1, 2011. The Sewer Fund balance decreased by \$31,373, primarily due to additional expenses associated with the Water Reclamation Facility. Sewer rates were increased effective November 1, 2011. The Village continues to explore funding options for the anticipated six million dollar debt to construct the Water Reclamation Facility, and has applied for a 0% interest loan through the EPA.

The Village's general receipts are primarily property and income taxes. These receipts represent respectively 19 and 49 percent of the total cash received for governmental activities during the year

Council had only 5 members during 2011, due to Diana Stockmaster filling the unexpired term of former Mayor Shaw.

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.

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

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 Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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 Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2011, within the limitations of the cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village 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 Village's 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 Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's 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 street maintenance and police. 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 activity: The Village has two business-type activities, the provision of water and sewer. Business-type activities are financed by a fee charged to the customers receiving the service.

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

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. The Village establishes separate funds to better manage its 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 split into two categories: governmental and proprietary.

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 Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor 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 Fund, and Police Levy Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial 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 Village has three major enterprise funds, the Water Fund, Sewer Fund, and Enterprise Improvement Fund. The Enterprise Improvement Fund accounts for activity of the Planning and Development Loan for the Water Reclamation Facility project. These major funds are presented on the financial statements in separate columns. The non-major funds (funds whose activity are not large enough to warrant separate reporting) are presented in a single column.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2011 compared to 2010 on a cash basis:

(Table 1)

Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Cash and Cash Equivalents	\$426,479	\$468,414	\$747,021	\$755,170	\$1,173,500	\$1,223,584
Total Assets	\$426,479	\$468,414	\$747,021	\$755,170	\$1,173,500	\$1,223,584
Net Assets						
Restricted for:						
Capital Outlay	52	51	0	0	52	51
Other Purposes	48,815	89,430	0	0	48,815	89,430
Unrestricted	377,612	378,933	747,021	755,170	1,124,633	1,134,103
Total Net Assets	\$426,479	\$468,414	\$747,021	\$755,170	\$1,173,500	\$1,223,584

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

As mentioned previously, net assets of governmental activities decreased \$ 41,935 or 9 percent during 2011. The primary reason contributing to the decrease in net assets was the completion of several paving projects.

Table 2 reflects changes in net assets on a cash basis in 2011 and 2010 for governmental activities, business-type activities, and the Village as a whole.

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$27,301	\$35,829	\$465,453	\$514,499	\$492,754	\$550,328
Operating Grants and Contributions	130,969	62,893			130,969	62,893
Total Program Receipts	158,270	98,722	465,453	514,499	623,723	613,221
General Receipts:						
General Operating	53,720	55,439			53,720	55,439
Police Levy	70,653	73,221			70,653	73,221
Income Taxes	330,873	310,737			330,873	310,737
Grants and Entitlements Not Restricted to Specific Programs	46,581	70,403			46,581	70,403
Interest	1,126	1,130	9	10	1,135	1,140
Miscellaneous	7,995	1,685	2,097	2,261	10,092	3,946
Debt Proceeds			125,833	192,199	125,833	192,199
Total General Receipts	510,948	512,615	127,939	194,470	638,887	707,085
Total Receipts	669,218	611,337	593,392	708,969	1,262,610	1,320,306
Disbursements:						
General Government	238,158	209,925			238,158	209,925
Security of Persons and Property:	207,128	175,875			207,128	175,875
Public Health Services	1	1,966			1	1,966
Community Environment	19,935	13,000			19,935	13,000
Transportation	210,779	137,472			210,779	137,472
Capital Outlay	21,116	193			21,116	193
Principal Retirement	11,595	11,187			11,595	11,187
Interest and Fiscal Charges	1,788	2,197			1,788	2,197
Water			178,161	377,998	178,161	377,998
Sewer			424,033	258,516	424,033	258,516
Total Disbursements	710,500	551,815	602,194	636,514	1,312,694	1,188,329
Excess (Deficiency) Before Transfers	(41,282)	59,522	(8,802)	72,455	(50,084)	131,977
Transfers	(653)	(669)	653	669	0	0
Increase (Decrease) in Net Assets	(41,935)	58,853	(8,149)	73,124	(50,084)	131,977
Net Assets, January 1, 2011	468,414	409,561	755,170	682,046	1,223,584	1,091,607
Net Assets, December 31, 2011	\$426,479	\$468,414	\$747,021	\$755,170	\$1,173,500	\$1,223,584

Program receipts represent 24 percent of governmental receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money. In 2011, the Village requested and received County Permissive Funds for a large paving project.

Program receipts for business-type activities equal 78 percent of total business-type activity receipts and represent receipts collected for water and sewer services provided to Village residents.

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

General receipts represent 76 percent of the total governmental activity. Of this amount, 89 percent are property and local taxes, and 9 percent are general receipts such as homestead and rollback and local government. The other 2 percent is comprised of miscellaneous receipts.

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). Security of Persons and Property are the costs of police protection contracted through the Knox County Sheriff's Office. Community Environment includes the cost of zoning and the Shade Tree Commission. Transportation costs are those associated with maintaining the streets.

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 account for 34, 29, and 30 percent respectively. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) 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)

Governmental Activities

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
General Government	\$238,158	\$235,543	\$209,925	\$207,640
Security of Persons and Property	\$207,128	\$202,053	\$175,875	\$170,904
Public Health Services	1	1	1,966	1,966
Community Environment	19,935	(4,751)	13,000	(9,850)
Transportation	210,779	84,885	137,472	68,856
Capital Outlay	21,116	21,116	193	193
Principal Retirement	11,595	11,595	11,187	11,187
Interest and Fiscal Charges	1,788	1,788	2,197	2,197
Total Expenses	\$710,500	\$552,230	\$551,815	\$453,093

The dependence upon property and income tax receipts is apparent as over 78 percent of governmental activities are supported through these general receipts.

In Capital Outlay, a 2011 Crown Victoria Police Cruiser was purchased for \$21,116, which increased overall spending.

Transportation costs increased due to a larger portion of street wages being allocated to street accounts rather than the General Fund, and to several paving projects.

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

Security of Persons and Property expenses increased primarily due to an increase in the charges for electricity and the purchase of equipment.

Business-type Activities

The water and sewer operations of the Village represent 64 percent of the total Village funds. The Village received \$125,833 in loan proceeds from a Planning and Design Loan through OWDA.

The Village's Funds

Total governmental funds had receipts of \$ 669,218 and disbursements of \$ 710,500. The greatest change within governmental funds occurred within the Street Construction, Maintenance, and Repair Fund, as well as Other Governmental Funds. The fund balance of the Street Construction, Maintenance, and Repair Fund decreased \$22,559 due to taking a larger portion of salaries out of this fund and also paving projects. Other Governmental Funds balance decreased because of paving as well by \$14,474.

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 2011, the Government amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to municipal income tax receipts and storm water inspection fees.

Final disbursements were budgeted at \$ 468,068 while actual disbursements were \$ 464,306. The Village kept a close watch on expenses throughout the year. The largest expenses from the General Fund were for personnel, transportation, and contract services through the Knox County Sheriff's Office.

Debt Administration

At December 31, 2011, the Village's outstanding debt included \$622,942 incurred through OWDA and OPWC loans for water and sewer infrastructure improvements, and a Planning and Development Loan for the WRF. Additional debt consists of two notes payable to First Knox National Bank. The first one is for improvements to the Village Town Hall, which has an outstanding balance of \$37,388. The other is for the purchase of land for the new WRF, which has an outstanding balance of \$50,127. See Note 10 to the Financial Statements.

Current Issues

The challenge for all Villages 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. With the successful formation of Centerburg Township, there will be an increase in tax revenues beginning in 2012. We are continuing to research every option for financing of the WRF. We continue to closely monitor the Village's receipts and disbursements from 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'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, Centerburg, OH 43011 or via email to clerk@centeburgoh.org.

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2011**

	<u>Governmental Activities- Total</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled and Cash Equivalents	\$ 426,479	\$ 747,021	\$ 1,173,500
Total Assets	<u>\$ 426,479</u>	<u>\$ 747,021</u>	<u>\$ 1,173,500</u>
Net Assets			
Restricted for:			
Capital Projects	\$ 52	\$ -	\$ 52
Other Purposes	48,815	0	48,815
Unrestricted	<u>377,612</u>	<u>747,021</u>	<u>1,124,633</u>
Total Net Assets	<u>\$ 426,479</u>	<u>\$ 747,021</u>	<u>\$ 1,173,500</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, 2011**

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets		Total
	Cash Disbursements	Charges for Services and Sales	Governmental Activities	Business-Type Activities	
Governmental Activities					
Current:					
Security of Persons and Property	\$ 207,128	\$ -	\$ (202,053)	\$ -	\$ (202,053)
Public Health Services	1	-	(1)	-	(1)
Community Environment	19,935	24,686	4,751	-	4,751
Transportation	210,779	-	(84,885)	-	(84,885)
General Government	238,158	2,615	(235,543)	-	(235,543)
Capital Outlay	21,116	-	(21,116)	-	(21,116)
Debt Service:					
Principal Retirement	11,595	-	(11,595)	-	(11,595)
Interest and Fiscal Charges	1,788	-	(1,788)	-	(1,788)
<i>Total Governmental Activities</i>	<u>710,500</u>	<u>27,301</u>	<u>(552,230)</u>	<u>-</u>	<u>(552,230)</u>
Business-Type Activities					
Water Operating	178,161	199,424	-	21,263	-
Sewer Operating	424,033	266,029	-	(158,004)	-
<i>Total Business-Type Activities</i>	<u>602,194</u>	<u>465,453</u>	<u>-</u>	<u>(136,741)</u>	<u>(136,741)</u>
<i>Total Primary Government</i>	<u>\$ 1,312,694</u>	<u>\$ 492,754</u>	<u>\$ (552,230)</u>	<u>\$ (136,741)</u>	<u>\$ (688,971)</u>
General Receipts:					
Property Taxes Levied for:					
General Purposes			\$ 53,720	\$ -	\$ 53,720
Police Services			70,653	-	70,653
Income Taxes			330,873	-	330,873
Grants and Entitlements not Restricted to Specific Programs			46,581	-	46,581
Other Debt Proceeds			-	125,833	125,833
Earnings on Investments			1,126	9	1,135
Miscellaneous			7,995	2,097	10,092
Total General Receipts			<u>510,948</u>	<u>127,939</u>	<u>638,887</u>
Transfers			<u>(653)</u>	<u>653</u>	<u>-</u>
<i>Total General Receipts, and Transfers</i>			<u>510,295</u>	<u>128,592</u>	<u>638,887</u>
Change in Net Assets			(41,935)	(8,149)	(50,084)
<i>Net Assets Beginning of Year</i>			<u>468,414</u>	<u>755,170</u>	<u>1,223,584</u>
<i>Net Assets End of Year</i>			<u>\$ 426,479</u>	<u>\$ 747,021</u>	<u>\$ 1,173,500</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, 2011

	General	Street Const. Maint. Rep.	Police Levy	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 377,612	\$ 22,207	\$ 3,945	\$ 22,715	\$ 426,479
<i>Total Assets</i>	<u>\$ 377,612</u>	<u>\$ 22,207</u>	<u>\$ 3,945</u>	<u>\$ 22,715</u>	<u>\$ 426,479</u>
Fund Balances					
Restricted	\$ -	\$ 22,207	\$ 3,945	\$ 22,715	\$ 48,867
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned (Deficit)	377,612	-	-	-	377,612
<i>Total Fund Balances</i>	<u>\$ 377,612</u>	<u>\$ 22,207</u>	<u>\$ 3,945</u>	<u>\$ 22,715</u>	<u>\$ 426,479</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Street Const. Maint. Rep.	Police Levy	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Local Taxes	\$ 53,720	\$ -	\$ 70,653	\$ -	\$ 124,373
Municipal Income Tax	330,873	-	-	-	330,873
Intergovernmental	46,581	56,761	5,075	69,132	177,549
Fines, Licenses and Permits	27,302	-	-	-	27,302
Earnings on Investments	1,051	27	-	48	1,126
Miscellaneous	4,027	3,968	-	-	7,995
<i>Total Receipts</i>	<u>463,554</u>	<u>60,756</u>	<u>75,728</u>	<u>69,180</u>	<u>669,218</u>
Disbursements					
Current:					
Security of Persons and Property	146,683	-	58,154	2,291	207,128
Public Health Services	1	-	-	-	1
Community Environment	19,935	-	-	-	19,935
Transportation	46,101	83,315	-	81,363	210,779
General Government	238,103	-	55	-	238,158
Capital Outlay	-	-	21,116	-	21,116
Debt Service:					
Principal Retirement	11,595	-	-	-	11,595
Interest and Fiscal Charges	1,788	-	-	-	1,788
<i>Total Disbursements</i>	<u>464,206</u>	<u>83,315</u>	<u>79,325</u>	<u>83,654</u>	<u>710,500</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(652)</u>	<u>(22,559)</u>	<u>(3,597)</u>	<u>(14,474)</u>	<u>(41,282)</u>
Other Financing Sources (Uses)					
Transfers In	-	-	16	-	16
Transfers Out	(669)	-	-	-	(669)
<i>Total Other Financing Sources (Uses)</i>	<u>(669)</u>	<u>-</u>	<u>16</u>	<u>-</u>	<u>(653)</u>
<i>Net Change in Fund Balances</i>	<u>(1,321)</u>	<u>(22,559)</u>	<u>(3,581)</u>	<u>(14,474)</u>	<u>(41,935)</u>
<i>Fund Balances Beginning of Year</i>	<u>378,933</u>	<u>44,766</u>	<u>7,526</u>	<u>37,189</u>	<u>468,414</u>
Restricted Cash Balances, December 31					
Restricted	-	22,207	3,945	22,715	48,867
Unassigned	377,612	-	-	-	377,612
<i>Fund Balances End of Year</i>	<u>\$ 377,612</u>	<u>\$ 22,207</u>	<u>\$ 3,945</u>	<u>\$ 22,715</u>	<u>\$ 426,479</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, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Municipal Income Taxes	\$ 315,000	\$ 330,500	\$ 330,873	\$ (373)
Property Taxes	50,000	50,008	53,720	(3,712)
Other Local Taxes	-	-	-	-
Intergovernmental	47,435	47,437	46,581	856
Special Assessments	-	-	-	-
Charges for Services	-	-	-	-
Fines, Licenses and Permits	15,000	27,986	27,301	685
Payments in Lieu of Taxes	-	-	-	-
Earnings on Investments	1,200	1,154	1,051	103
Miscellaneous	10,000	4,000	4,027	(27)
<i>Total Receipts</i>	<u>438,635</u>	<u>461,085</u>	<u>463,554</u>	<u>(2,469)</u>
Disbursements				
Current:				
Security of Persons and Property	142,500	146,684	146,683	1
Public Health Services	120	1	1	0
Leisure Time Activities	-	-	-	-
Community Environment	13,000	19,936	19,935	1
Basic Utility Services	-	-	-	-
Transportation	80,696	46,776	46,101	676
General Government	278,601	241,287	238,103	3,184
Capital Outlay	-	-	-	-
Debt Service:				
Principal Retirement	13,384	11,596	11,595	1
Interest and Fiscal Charges	1,788	1,788	1,788	0
<i>Total Disbursements</i>	<u>530,089</u>	<u>468,068</u>	<u>464,206</u>	<u>3,863</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(91,454)</u>	<u>(6,983)</u>	<u>(652)</u>	<u>(6,331)</u>
Other Financing Sources (Uses)				
Transfers Out	(1,000)	(670)	(669)	(1)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,000)</u>	<u>(670)</u>	<u>(669)</u>	<u>(1)</u>
<i>Net Change in Fund Balance</i>	(92,454)	(7,653)	(1,321)	(6,332)
<i>Fund Balance Beginning of Year</i>	374,907	374,907	374,907	-
Prior Year Encumbrances Appropriated	4,026	4,026	4,026	-
<i>Unencumbered Fund Balance End of Year</i>	<u>\$ 286,480</u>	<u>\$ 371,281</u>	<u>\$ 377,612</u>	<u>\$ (6,331)</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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$ 58,580	\$ 56,780	\$ 56,761	\$ 19
Earnings on Investments	100	100	27	73
Miscellaneous	-	3,229	3,968	(739)
<i>Total Receipts</i>	<u>58,680</u>	<u>60,109</u>	<u>60,756</u>	<u>(647)</u>
Disbursements				
Current:				
Transportation	<u>85,848</u>	<u>83,316</u>	<u>83,315</u>	<u>1</u>
<i>Total Disbursements</i>	<u>85,848</u>	<u>83,316</u>	<u>83,315</u>	<u>1</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(27,168)</u>	<u>(23,207)</u>	<u>(22,560)</u>	<u>(647)</u>
<i>Net Change in Fund Balance</i>	(27,168)	(23,207)	(22,560)	(647)
<i>Fund Balance Beginning of Year</i>	<u>44,419</u>	<u>44,419</u>	<u>44,419</u>	-
<i>Unencumbered Fund Balance End of Year</i>	<u>\$ 17,599</u>	<u>\$ 21,560</u>	<u>\$ 22,207</u>	<u>\$ (647)</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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Property Taxes	\$ 70,000	\$ 70,000	\$ 70,653	\$ (653)
Intergovernmental	7,500	5,742	5,075	667
<i>Total receipts</i>	<u>77,500</u>	<u>75,742</u>	<u>75,728</u>	<u>14</u>
Disbursements				
Current:				
Security of Persons and Property	53,725	58,154	58,154	-
General Government	850	305	55	250
Capital Outlay	25,000	21,116	21,116	-
<i>Total Disbursements</i>	<u>79,575</u>	<u>79,575</u>	<u>79,325</u>	<u>250</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,075)</u>	<u>(3,833)</u>	<u>(3,597)</u>	<u>(236)</u>
Other Financing Sources (Uses)				
Transfers In	100	100	16	84
<i>Total Other Financing Sources (Uses)</i>	<u>100</u>	<u>100</u>	<u>16</u>	<u>84</u>
<i>Net Change in Fund Balance</i>	(1,975)	(3,733)	(3,581)	(152)
<i>Fund Balance Beginning of Year</i>	<u>7,526</u>	<u>7,526</u>	<u>7,526</u>	<u>-</u>
<i>Unencumbered Cash Balance End of Year</i>	<u>\$ 5,551</u>	<u>\$ 3,793</u>	<u>\$ 3,945</u>	<u>\$ (152)</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, 2011

	<u>Water Operating</u>	<u>Sewer Operating</u>	<u>Enterprise Improvement</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	<u>\$ 347,519</u>	<u>\$ 365,667</u>	<u>\$ 3,073</u>	<u>\$ 30,762</u>	<u>\$ 747,021</u>
<i>Total Assets</i>	<u>\$ 347,519</u>	<u>\$ 365,667</u>	<u>\$ 3,073</u>	<u>\$ 30,762</u>	<u>\$ 747,021</u>
Net Assets					
Unrestricted	<u>\$ 347,519</u>	<u>\$ 365,667</u>	<u>\$ 3,073</u>	<u>\$ 30,762</u>	<u>\$ 747,021</u>
<i>Total Net Assets</i>	<u>\$ 347,519</u>	<u>\$ 365,667</u>	<u>\$ 3,073</u>	<u>\$ 30,762</u>	<u>\$ 747,021</u>

See accompanying notes to the basic financial statements

VILLAGE OF CENTERBURG
KNOX COUNTY

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND NET ASSETS - CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Water Operating	Sewer Operating	Enterprise Improvement	Nonmajor Enterprise Funds	Total Enterprise Funds
Operating Receipts					
Charges for Services	\$ 188,734	\$ 266,029	\$ -	\$ 10,690	\$ 465,453
<i>Total Operating Receipts</i>	<u>188,734</u>	<u>266,029</u>	<u>-</u>	<u>10,690</u>	<u>465,453</u>
Operating Disbursements					
Personal Services	61,716	66,017	-	-	127,733
Employee Fringe Benefits	21,103	19,988	-	-	41,091
Contractual Services	34,839	44,166	125,833	-	204,838
Supplies and Materials	19,763	20,964	-	-	40,727
Other	-	500	-	4,758	5,258
<i>Total Operating Disbursements</i>	<u>137,421</u>	<u>151,635</u>	<u>125,833</u>	<u>4,758</u>	<u>419,647</u>
<i>Operating Income (Loss)</i>	<u>51,313</u>	<u>114,394</u>	<u>(125,833)</u>	<u>5,932</u>	<u>45,806</u>
Non-Operating Receipts (Disbursements)					
Earnings on Investments	-	-	-	9	9
Debt Proceeds	-	-	125,833	-	125,833
Miscellaneous Receipts	1,635	462	-	-	2,097
Capital Outlay	(29,926)	(13,513)	-	-	(43,439)
Principal Retirement	(6,056)	(115,222)	-	-	(121,278)
Interest and Other Fiscal Charges	-	(17,830)	-	-	(17,830)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(34,347)</u>	<u>(146,103)</u>	<u>125,833</u>	<u>9</u>	<u>(54,608)</u>
<i>Income (Loss) before Transfers</i>	<u>16,966</u>	<u>(31,709)</u>	<u>-</u>	<u>5,941</u>	<u>(8,802)</u>
Transfers In	317	336	-	-	653
<i>Change in Net Assets</i>	17,283	(31,373)	-	5,941	(8,149)
<i>Net Assets Beginning of Year</i>	<u>330,236</u>	<u>397,040</u>	<u>3,073</u>	<u>24,821</u>	<u>755,170</u>
<i>Net Assets End of Year</i>	<u>\$ 347,519</u>	<u>\$ 365,667</u>	<u>\$ 3,073</u>	<u>\$ 30,762</u>	<u>\$ 747,021</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, 2011**

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 reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

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

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village has no component units.

C. Jointly Governed Organizations and Public Entity Risk Pools

As detailed in Notes 7 and 13, the Village participates in the Ohio Government Risk Management Plan, a public entity risk pool, and the Central Ohio Joint Fire District, a jointly governed organization.

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

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.

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

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 non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balances 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. Non-major funds are aggregated and presented in a single column.

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

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.

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Village's major governmental funds are the General Fund, Street Construction, Maintenance, and Repair Fund, and the Police Levy 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 repairing and maintaining Village streets. The Police Levy Fund receives property tax revenue to pay for contracted police services through the Knox County Sheriff's Office. 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.

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, Sewer Fund, and Enterprise Improvement 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.

Enterprise Improvement Fund – The Enterprise Improvement Fund accounts for improvements made to the water and sewer infrastructure

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, 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 liabilities and the related expenses) are not recorded in these financial statements.

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

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.

E. Cash and Investments

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 2011, the Village had a Money Market Savings Account and a Cash Management 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 2011 were \$1,051.

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 8 and 9, the employer contributions include portions for pension benefits and for post-retirement healthcare benefits.

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

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 Street Construction, Maintenance and Repair Fund, used for road maintenance projects and the Police Levy Fund, used 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

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted Fund balance is reported as 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.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable.

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

J. Fund Balance (continued)

Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained 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.

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 and after non-operating receipts/disbursements in proprietary funds.

Note 3 – 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, and Police Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference 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). There were no encumbrances at December 31, 2011.

Note 4 – 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.

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

Note 4 – Deposits and Investments (continued)

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.

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

The December 31, 2011 carrying value of all deposits was \$1,173,500. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of December 31, 2011 \$946,107 of the Village's bank balance of \$1,196,107 was exposed to custodial credit risk as discussed below, while \$250,000 was covered by the Federal Deposit Insurance Corporation.

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

Note 4 – Deposits and Investments (continued)

Deposits (continued)

Although the State statutory requirements for the deposit money have been followed, non-compliance 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 System, in the name of the respective depository and pledged as pooled 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 5 – Income Taxes

The Village levies a 1 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 50 percent of the 1 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 6 – Property Taxes

Property taxes include amounts levied against all real property and public utility property located in the Village. Real property tax receipts received in 2011 for real and public utility property taxes represents collections of the 2010 taxes. Real property tax receipts received during 2011 for tangible personal property (other than public utility property) are for 2010 taxes. Property taxes are levied after October 1, 2010 on the assessed values as of January 1, 2010, 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 semi-annually. 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 2011 represent the collection of 2010 taxes. Public utility real and tangible personal property taxes received in 2011 became a lien on December 31, 2010 were levied after October 1, 2010, 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.

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

Note 6 – Property Taxes (continued)

The full tax rate for all Village operations for the year ended December 31, 2010 was \$8.60 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2011 property tax receipts were based are as follows:

Real Property	
Residential	\$ 18,048,520
Agricultural	80,300
Commercial/Ind/Mineral	4,881,210
Public Utility Property	<u>764,470</u>
Total Assessed Values	<u>\$ 23,774,500</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

Note 7 – Risk Management

Risk Pool Membership

Prior to 2009, the Village belonged to the Ohio Government Risk Management Plan (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 was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

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. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village does participates in this coverage.

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

Note 7 – Risk Management (continued)

Risk Pool Membership (continued)

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of-pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village does not participate in this coverage.

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 financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

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

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members’ Equity	\$7,191,485	\$300,035	\$6,323,701	\$105,185

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

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Plan Description – The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension 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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

Note 8 – Defined Benefit Pension Plans (continued)

Ohio Public Employees Retirement System (continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension 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. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10 percent. For the year ended December 31, 2010, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.5 percent and 11.1 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2010, member and employer contribution rates were consistent across all three plans.

The Village's 2010 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the Village's contribution was 17.87 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010. Employer contribution rates are actuarially determined.

The Village's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$34,662, \$32,396, and \$36,017, respectively; 100 percent has been contributed for 2011 and 100 percent for 2010 and 2009.

Note 9 – Post Employment Benefits

Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

Note 9 – Post Employment Benefits (continued)

Ohio Public Employees Retirement System (continued)

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.87 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$2,426, \$2,100, and \$16,080, respectively; 100 percent has been contributed for 2011 and 100 percent for 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

Note 10 – Debt

The Village's long-term debt activity for the year ended December 31, 2011, was as follows:

	Interest Rate	Balance December 31, 2010	Additions	Reductions	Balance December 31, 2011	Due Within One Year
<u>Governmental Activities</u>						
Town Hall Renovation	3.65%	\$ 48,983	\$	\$ 11,595	\$ 37,388	\$ 12,019
<u>Business-type Activities</u>						
OWDA Sewer Loan	8.35%	194,401	\$	\$ 50,257	\$ 144,144	\$ 54,453
OPWC Sewer Lines	0%	74,062		6,733	67,329	6,733
OPWC Willis Street	0%	12,928		994	11,934	994
OPWC Westside Water	0%	115,059		6,056	109,003	6,056
Lock Road Project	5.16%	79,865		29,738	50,127	29,738
WRF Planning & Des Loan	4.42%	192,199	125,833	27,500	290,532	27,500
Total Business-type Activities		<u>\$ 668,514</u>	<u>\$ 125,833</u>	<u>\$ 121,278</u>	<u>\$ 673,069</u>	<u>\$ 125,474</u>

The Town Hall Renovation Note provided for remodeling of the second floor of the Town Hall to house handicap accessible Village offices and Council chambers. The note for the property at Lock Road enabled the Village to purchase real estate for future construction of a new Water Reclamation Facility. A substantial payment was made in 2009 due to the sale of the house and 5 acres of property. The notes are backed by the full faith and credit of the Village and mature as indicated below:

Town Hall Renovation Note

Year	Principal	Interest
2012	12,019	1,365
2013	12,457	925
2014	12,912	471
Totals	\$ 37,388	\$ 2,761

Lock Road Property

Year	Principal	Interest
2012	\$ 29,738	\$ 2,592
2013	20,389	1,051
Totals	\$50,127	\$ 3,643

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.

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

Note 10 – Debt (Continued)

The Ohio Public Works Commission (OPWC) Sewer Line Loan relates to a sewer line replacement project. The OPWC approved \$134,659 in loans to the Village for this project. The loans will be repaid in semi-annual installments of \$3,367 with no interest over 20 years. The loan is secured by sewer receipts. The Village has agreed to set utility rates sufficient to OPWC debt service requirements.

The Ohio Public Works Commission (OPWC) Willis Street 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 semi-annual installments of \$497 with no interest over 20 years.

The Ohio Public Works Commission (OPWC) Westside Waterline Loan relates to a connector line project. The OPWC approved \$132,300 in loans to the Village for this project. The Village only utilized \$121,115 of the approved loan amount. The loan will be repaid in semi-annual installments of \$3,028 with no interest over 20 years.

The Ohio Public Works Commission (OPWC) WRF Development Loan relates to the expense of planning and development for the new Water Reclamation Facility mandated by the Ohio EPA to be built on the Lock Road property. The loan is secured by sewer receipts. Semi-annual principal payments will be made until the loan is rolled into loans for the entire WRF once construction begins. In 2011, the Village drew down \$125,833 in funds of the total approved loan amount of \$550,000. There is a remaining balance of \$231,968 available to be utilized.

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

Year	OWDA Loan		OPWC Loans	
	Principal	Interest	Principal	
2012	54,453	12,036	13,783	
2013	59,000	7,489	13,783	
2014	30,691	2,552	13,783	
2015			13,783	
2016			13,783	
2017-2021			68,915	
2022-2026			33,262	
2027 - 2029			17,175	
Totals	\$144,144	\$22,077	\$188,267	

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, 2011, were an overall debt margin of \$2,934,441 and an unvoted debt margin of \$1,253,707.

**VILLAGE OF CENTERBURG
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

Note 11– Interfund Transfers

During 2011 the following transfers were made:

Transfers from the General Fund to:	
Police Levy Fund	\$ 16
Water Fund	317
Sewer Fund	336
Total Transfers from the General Fund	\$ 669

Transfers to the Police Levy Fund and the Enterprise Funds from the General Fund were to allocate a portion of the interest earnings to these funds in 2011.

Note 12 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal 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 13 – 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 Hilliar, 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 and an at-large member appointed by a vote of the District Board. Revenues are generated from a 5.5 mil operating levy. The Village is also part of the Centerburg Joint Recreation District. The District board encompasses the same area as Centerburg Local Schools. There are five board members, consisting of a representative from Hilliar, Milford, and Liberty Townships, the Village of Centerburg, and the Centerburg Schools.

Note 14 – Segment Reporting

The Enterprise Improvement Fund and Other Enterprise Funds in the Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets are reported in the Statement of Activities as a part of the Sewer Operating Segment and Water Operating Segment, respectively.

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Dave Yost • Auditor of State

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, 2011, wherein, we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles and the Village adopted Governmental Accounting Standards Board Statement No. 54. We also noted 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 Village. 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(A) mandates the Auditor of State to audit Ohio governments. 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 as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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*.

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



Dave Yost
Auditor of State

April 30, 2012



Dave Yost • Auditor of State

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
MAY 24, 2012