



**Auditor of State  
Betty Montgomery**



VILLAGE OF CENTERBURG  
KNOX COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Centerburg, Knox County, Ohio, (the Village) as of and for the year ended December 31, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Centerburg, Knox County, Ohio, as of December 31, 2004, and the respective changes in cash financial position 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.

For the year ended December 31, 2004, the Village revised its financial statement presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

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

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

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

**Betty Montgomery**  
Auditor of State

July 24, 2006

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED**

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This discussion and analysis of the Village of Centerburg's financial performance provides an overall review of Centerburg's financial activities for the year ended December 31, 2004, 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 2004 are as follows:

Net assets of governmental activities increased \$38,641. The fund most affected by the increase in cash and cash equivalents was the General Fund, which was the result of the receipt of additional inheritance tax revenue during the year which was not received in the prior year.

The Village's general receipts are primarily property and income taxes. These receipts represent respectively 8.9 and 38.5 percent of the total cash received for governmental activities during the year.

Net assets of the Business-type activities increased \$63,864. Rates for both water and sewer were increased by Council in 2004 which accounted for the increase.

The "Trojan Trail" recreational path was constructed during 2004. The trail spans the distance between the new Centerburg High School on Columbus Road and the intersection of Factory and Main Streets. The Village received a grant from the Ohio Department of Transportation to fund 80% of the total project cost. In addition, other outside entities and organizations also contributed financially toward the cost of completing the recreational path.

**Using the Basic Financial Statements**

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

**Report Components**

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

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

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

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED  
(Continued)**

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**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 2004, within the limitations of cash basis accounting. 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 cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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

In the Statement of Net Assets and the Statement of Activities, we divide the Village into two types of activities:

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

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



**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED  
(Continued)**

**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 significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, Street Construction and Maintenance and Repair, Police, and Capital Projects. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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

**The Village as a Whole**

Table 1 provides a summary of the Government's net assets for 2004 compared to 2003 on a cash basis:

(Table 1)  
**Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<b>Assets</b>						
Cash and Cash Equiva	\$ 375,686	\$ 337,045	\$ 420,026	\$ 356,163	\$ 795,712	\$ 693,208
Total Assets	<u>\$ 375,686</u>	<u>\$ 337,045</u>	<u>\$ 420,026</u>	<u>\$ 356,163</u>	<u>\$ 795,712</u>	<u>\$ 693,208</u>
<b>Net Assets</b>						
Restricted for:						
Capital Projects	\$ 50	\$ -	\$ -	\$ -	\$ 50	\$ -
Other Purposes	130,325	156,233	-	-	130,325	156,233
Unrestricted	245,311	180,812	420,026	356,163	665,337	536,975
Total Net Assets	<u>\$ 375,686</u>	<u>\$ 337,045</u>	<u>\$ 420,026</u>	<u>\$ 356,163</u>	<u>\$ 795,712</u>	<u>\$ 693,208</u>

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED  
(Continued)**

As mentioned previously, net assets of governmental activities increased \$38,641, or 11 percent, during 2004. The primary reasons contributing to the increase in cash balances are as follows:

- The receipt of estate tax settlements totaling \$70,554.
- The Village received contributions totaling \$20,500 from outside entities to assist in paying for the "Trojan Trail" recreational path project.

Table 2 reflects the changes in net assets in 2004. Since the Village did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 2)  
**Changes in Net Assets**

	Governmental Activities 2004	Business Type Activities 2004	Total 2004
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$13,936	\$413,208	\$427,144
Operating Grants and Contributions	61,899	0	61,899
Capital Grants	138,378	0	138,378
<b>Total Program Receipts</b>	<b>214,213</b>	<b>413,208</b>	<b>627,421</b>
General Receipts:			
Property and Other Local Taxes	72,169	0	72,169
Income Taxes	276,584	0	276,584
Grants and Entitlements Not Restricted to Specific Programs	124,577	0	124,577
Interest	1,916	0	
Notes Issued	89,269	0	89,269
Miscellaneous	28,298	4,636	32,934
<b>Total General Receipts</b>	<b>592,813</b>	<b>4,636</b>	<b>597,449</b>
<b>Total Receipts</b>	<b>807,026</b>	<b>417,844</b>	<b>1,224,870</b>
Disbursements:			
General Government	197,604	0	197,604
Security of Persons and Property:	124,884	0	124,884
Public Health Services	1,960	0	1,960
Leisure Time Activities	500	0	500
Community Development	25,708	0	25,708
Transportation	146,278	0	146,278
Capital Outlay	270,551	0	270,551
Water Operating	0	145,266	145,266
Sewer Operating	0	209,614	209,614
<b>Total Disbursements</b>	<b>767,485</b>	<b>354,880</b>	<b>1,122,365</b>
Excess Before Transfers	39,541	62,964	102,505
Transfers	(900)	900	0
<b>Increase in Net Assets</b>	<b>38,641</b>	<b>63,864</b>	<b>102,505</b>
<b>Net Assets, January 1, 2004</b>	<b>337,045</b>	<b>356,162</b>	<b>693,207</b>

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED  
(Continued)**

Program receipts represent only 27 percent of total governmental activities receipts and are primarily comprised of restricted intergovernmental receipts such as grants, motor vehicle license and gas tax money, and fees.

Program receipts for business-type activities equal 98 percent of total business-type activity receipts and represents receipts collected for water and sewer services provided to Village residents.

General receipts represent the 73 percent of total governmental activities and 2 percent of the business-type activities total receipts. Of these amounts, 58 percent represent property and local income taxes. State and federal grants and entitlements, and proceeds of notes make up the balance of the Village's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

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

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

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The four largest program disbursements for governmental activities are for capital outlay, general government, transportation and security of persons and property, which respectively account for 35%, 25%, 19%, and 16% of total governmental disbursements. 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 2004	Net Cost of Services 2004
	2004	2004
General Government	\$197,604	\$188,614
Security of Persons and Property	124,884	124,884
Public Health Services	1,960	1,960
Leisure Time Activities	500	500
Community Environment	25,708	20,762
Transportation	146,278	84,379
Capital Outlay	270,551	132,173
Total Expenses	\$767,485	\$553,272

The dependence upon general receipts is apparent as 72 percent of governmental activities are supported through these general receipts.

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED  
(Continued)**

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**Business-type Activities**

The water and sewer operations of the Village represent 53 percent of the total Village funds. The Village continues to discuss the need for future improvements and expansion to the existing water and sewer plants. Water and Sewer expenses, receipts and fee schedules continue to be monitored by council.

**The Village's Funds**

Total governmental funds had receipts of \$717,757 and disbursements of \$767,485. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$64,499 as the result of the receipt of additional inheritance tax revenues during the year.

**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 2004, the Village amended its budget for the General Fund to reflect changing circumstances. Actual receipts for the General Fund exceeded final budgeted receipts by \$32,313, or 7 percent.

Final disbursements for the General Fund were budgeted at \$515,107 while actual disbursements were \$506,902. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the increase in fund balance of \$29,254 for 2004.

**Debt Administration**

**Debt**

At December 31, 2004, the Village's outstanding debt included \$559,175 in OWDA and OPWC loans issued for improvements to water and sewer infrastructure. Additional debt consists of a note payable in the amount of \$110,466 to First Knox National Bank for the Town Hall Renovation Project. For further information regarding the Village's debt, see Notes 12 and 13 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. We continue to closely monitor the Village's receipts and disbursements for all funds.

**Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village'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 East Main Street, Drawer D, Centerburg, Ohio 43011.

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2004**

	Governmental Activities	Business - Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$375,686	\$420,026	\$795,712
<i>Total Assets</i>	<u>\$375,686</u>	<u>\$420,026</u>	<u>\$795,712</u>
<b>Net Assets</b>			
Restricted for:			
Capital Projects	\$50	\$0	\$50
Other Purposes	130,325	0	130,325
Unrestricted	<u>245,311</u>	<u>420,026</u>	<u>665,337</u>
<i>Total Net Assets</i>	<u>\$375,686</u>	<u>\$420,026</u>	<u>\$795,712</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, 2004**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$197,604	\$8,990	\$0	\$0	(\$188,614)	\$0	(\$188,614)
Security of Persons and Property	124,884	0	0	0	(124,884)	0	(124,884)
Public Health Services	1,960	0	0	0	(1,960)	0	(1,960)
Leisure Time Activities	500	0	0	0	(500)	0	(500)
Community Environment	25,708	4,946	0	0	(20,762)	0	(20,762)
Transportation	146,278	0	61,899	0	(84,379)	0	(84,379)
Capital Outlay	270,551	0	0	138,378	(132,173)	0	(132,173)
<i>Total Governmental Activities</i>	<u>767,485</u>	<u>13,936</u>	<u>61,899</u>	<u>138,378</u>	<u>(553,272)</u>	<u>0</u>	<u>(553,272)</u>
<b>Business Type Activity</b>							
Water Operating	145,266	162,657	0	0	0	17,391	17,391
Sewer Operating	209,614	250,551	0	0	0	40,937	40,937
<i>Total Business Type Activities</i>	<u>354,880</u>	<u>413,208</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>58,328</u>	<u>58,328</u>
Total Primary Government	<u>\$1,122,365</u>	<u>\$427,144</u>	<u>\$61,899</u>	<u>\$138,378</u>	<u>(553,272)</u>	<u>58,328</u>	<u>(494,944)</u>
<b>General Receipts</b>							
Property Taxes Levied for:							
General Purposes							72,169
Municipal Income Taxes							0
Grants and Entitlements not Restricted to Specific Programs							276,584
Interest							124,577
Notes Issued							0
Miscellaneous							1,916
							89,269
							28,298
<i>Total General Receipts</i>							<u>592,813</u>
Transfers							<u>(900)</u>
<i>Total General Receipts and Transfers</i>							<u>591,913</u>
Change in Net Assets							<u>5,536</u>
<i>Net Assets Beginning of Year</i>							<u>38,641</u>
<i>Net Assets End of Year</i>							<u>337,045</u>
							<u>\$375,686</u>
							<u>\$420,026</u>
							<u>\$795,712</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, 2004**

	General	Street Construction Maint	Police Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$245,311	\$43,768	\$43,194	\$50	\$43,363	\$375,686
<i>Total Assets</i>	<u>\$245,311</u>	<u>\$43,768</u>	<u>\$43,194</u>	<u>\$50</u>	<u>\$43,363</u>	<u>\$375,686</u>
<b>Fund Balances</b>						
Reserved:						
Reserved for Encumbrances	\$35,245	\$2,700	\$0	\$0	\$0	\$37,945
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	210,066	0	0	0	0	210,066
Special Revenue Funds	0	41,068	43,194	0	43,363	127,625
Capital Projects Funds	0	0	0	50	0	50
<i>Total Fund Balances</i>	<u>\$245,311</u>	<u>\$43,768</u>	<u>\$43,194</u>	<u>\$50</u>	<u>\$43,363</u>	<u>\$375,686</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, 2004**

	General	Street Construction Maint	Police Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Municipal Income Taxes	\$276,584	\$0	\$0	\$0	\$0	\$276,584
Property and Other Local Taxes	42,180	0	21,907	0	0	64,087
Fines, Licenses and Permits	13,936	0	0	0	0	13,936
Intergovernmental	113,476	53,721	2,683	138,378	8,179	316,437
Interest	1,555	197	86	0	77	1,915
Miscellaneous	34,728	334	0	0	9,736	44,798
<i>Total Receipts</i>	<u>482,459</u>	<u>54,252</u>	<u>24,676</u>	<u>138,378</u>	<u>17,992</u>	<u>717,757</u>
<b>Disbursements</b>						
Current:						
General Government	197,157	0	447	0	0	197,604
Security of Persons and Property	103,818	0	19,285	0	1,781	124,884
Public Health Services	1,960	0	0	0	0	1,960
Leisure Time Activities	500	0	0	0	0	500
Community Environment	15,972	0	0	0	9,736	25,708
Transportation	54,699	89,252	0	0	2,327	146,278
Capital Outlay	97,551	0	0	173,000	0	270,551
<i>Total Disbursements</i>	<u>471,657</u>	<u>89,252</u>	<u>19,732</u>	<u>173,000</u>	<u>13,844</u>	<u>767,485</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>10,802</u>	<u>(35,000)</u>	<u>4,944</u>	<u>(34,622)</u>	<u>4,148</u>	<u>(49,728)</u>
<b>Other Financing Sources (Uses)</b>						
Notes Issued	89,269	0	0	0	0	89,269
Transfers In	0	0	0	34,672	0	34,672
Transfers Out	(35,572)	0	0	0	0	(35,572)
<i>Total Other Financing Sources</i>	<u>53,697</u>	<u>0</u>	<u>0</u>	<u>34,672</u>	<u>0</u>	<u>88,369</u>
<i>Net Change in Fund Balances</i>	64,499	(35,000)	4,944	50	4,148	38,641
<i>Fund Balances Beginning of Year</i>	<u>180,812</u>	<u>78,768</u>	<u>38,250</u>	<u>0</u>	<u>39,215</u>	<u>337,045</u>
<i>Fund Balances End of Year</i>	<u>\$245,311</u>	<u>\$43,768</u>	<u>\$43,194</u>	<u>\$50</u>	<u>\$43,363</u>	<u>\$375,686</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, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Receipts</b>				
Municipal Income Taxes	\$220,000	\$275,929	\$276,584	\$655
Property and Other Local Taxes	36,326	36,326	42,180	5,854
Fines, Licenses and Permits	12,360	12,360	13,936	1,576
Intergovernmental	59,584	114,225	113,476	(749)
Interest	1,202	1,202	1,555	353
Miscellaneous	10,000	10,104	34,728	24,624
<i>Total receipts</i>	<u>339,472</u>	<u>450,146</u>	<u>482,459</u>	<u>32,313</u>
<b>Disbursements</b>				
Current:				
General Government	196,237	203,538	197,157	6,381
Security of Persons and Property	96,000	117,100	116,164	936
Public Health Services	1,060	2,000	1,960	40
Leisure Time Activities	800	520	500	20
Community Environment	6,500	33,872	33,871	1
Transportation	62,597	55,526	54,699	827
Capital Outlay	0	102,551	102,551	0
<i>Total Disbursements</i>	<u>363,194</u>	<u>515,107</u>	<u>506,902</u>	<u>8,205</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(23,722)</u>	<u>(64,961)</u>	<u>(24,443)</u>	<u>40,518</u>
<b>Other Financing Sources (Uses)</b>				
Notes Issued	89,269	89,269	89,269	0
Transfers Out	(2,060)	(36,732)	(35,572)	1,160
<i>Total Other Financing Sources</i>	<u>87,209</u>	<u>52,537</u>	<u>53,697</u>	<u>1,160</u>
<i>Net Change in Fund Balance</i>	63,487	(12,424)	29,254	41,678
<i>Fund Balance Beginning of Year</i>	180,315	180,315	180,315	0
Prior Year Encumbrances Appropriated	497	497	497	0
<i>Fund Balance End of Year</i>	<u>\$244,299</u>	<u>\$168,388</u>	<u>\$210,066</u>	<u>\$41,678</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, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	\$38,792	\$38,792	\$53,721	\$14,929
Interest	546	546	197	(349)
Miscellaneous	0	300	334	34
<i>Total receipts</i>	<u>39,338</u>	<u>39,638</u>	<u>54,252</u>	<u>14,614</u>
<b>Disbursements</b>				
Current:				
Transportation	60,066	100,887	91,952	8,935
<i>Total Disbursements</i>	<u>60,066</u>	<u>100,887</u>	<u>91,952</u>	<u>8,935</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(20,728)</u>	<u>(61,249)</u>	<u>(37,700)</u>	<u>23,549</u>
<i>Net Change in Fund Balance</i>	(20,728)	(61,249)	(37,700)	23,549
<i>Fund Balance Beginning of Year</i>	<u>78,768</u>	<u>78,768</u>	<u>78,768</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$58,040</u></u>	<u><u>\$17,519</u></u>	<u><u>\$41,068</u></u>	<u><u>\$23,549</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
POLICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and Other Local Taxes	\$21,055	\$21,055	\$21,907	\$852
Intergovernmental	1,125	1,125	2,683	1,558
Interest	100	100	86	(14)
<i>Total receipts</i>	<u>22,280</u>	<u>22,280</u>	<u>24,676</u>	<u>2,396</u>
<b>Disbursements</b>				
Current:				
General Government	500	500	447	53
Security of Persons and Property	19,285	19,285	19,285	0
<i>Total Disbursements</i>	<u>19,785</u>	<u>19,785</u>	<u>19,732</u>	<u>53</u>
<i>Excess of Receipts Over Disbursements</i>	<u>2,495</u>	<u>2,495</u>	<u>4,944</u>	<u>2,449</u>
<i>Net Change in Fund Balance</i>	2,495	2,495	4,944	2,449
<i>Fund Balance Beginning of Year</i>	<u>38,250</u>	<u>38,250</u>	<u>38,250</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$40,745</u>	<u>\$40,745</u>	<u>\$43,194</u>	<u>\$2,449</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, 2004**

	Business-Type Activities			Total Enterprise Funds
	Water Operating Fund	Sewer Operating Fund	NonMajor Enterprise Fund	
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$116,908	\$290,801	\$12,317	\$420,026
<i>Total Assets</i>	<u>\$116,908</u>	<u>\$290,801</u>	<u>\$12,317</u>	<u>\$420,026</u>
<b>Net Assets</b>				
Unrestricted	<u>\$116,908</u>	<u>\$290,801</u>	<u>\$12,317</u>	<u>\$420,026</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**STATEMENT OF CASH RECEIPTS,  
DISBURSEMENTS AND CHANGES IN FUND NET ASSETS - CASH BASIS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Business-Type Activities			Total Enterprise Funds
	Water Operating Fund	Sewer Operating Fund	Non-Major Enterprise Fund	
<b>Operating Receipts</b>				
Charges for Services	\$162,657	\$250,551	\$0	\$413,208
<i>Total Operating Receipts</i>	<u>162,657</u>	<u>250,551</u>	<u>0</u>	<u>413,208</u>
<b>Operating Disbursements</b>				
Personal Services	66,462	66,203	0	132,665
Fringe Benefits	30,308	30,207	0	60,515
Contractual Services	20,292	22,303	0	42,595
Materials and Supplies	14,415	13,763	0	28,178
Other	16	164	0	180
<i>Total Operating Disbursements</i>	<u>131,493</u>	<u>132,640</u>	<u>0</u>	<u>264,133</u>
<i>Operating Income</i>	<u>31,164</u>	<u>117,911</u>	<u>0</u>	<u>149,075</u>
<b>Non-Operating Receipts (Disbursements)</b>				
Miscellaneous Receipts	2,371	2,265	0	4,636
Capital Outlay	(13,772)	(8,873)	0	(22,645)
Principal Payments	0	(36,395)	0	(36,395)
Interest & Other Fiscal Charges	0	(31,707)	0	(31,707)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(11,401)</u>	<u>(74,710)</u>	<u>0</u>	<u>(86,111)</u>
<i>Income before Transfers</i>	19,763	43,201	0	62,964
Transfers In	265	635	0	900
<i>Change in Net Assets</i>	20,028	43,836	0	63,864
<i>Net Assets Beginning of Year</i>	<u>96,880</u>	<u>246,965</u>	<u>12,317</u>	<u>356,162</u>
<i>Net Assets End of Year</i>	<u>\$116,908</u>	<u>\$290,801</u>	<u>\$12,317</u>	<u>\$420,026</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, 2004**

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**Note 1 – Reporting Entity**

The Village of Centerburg, Knox County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

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

**A. Primary Government**

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

**B. Jointly Governed Organization**

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

**Note 2 – Summary of Significant Accounting Policies**

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

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

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

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

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

**Fund Financial Statements**

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

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

**B. Fund Accounting**

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

**Governmental Funds**

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

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



**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**B. Fund Accounting (Continued)**

**Proprietary Funds**

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

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

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

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

**C. Basis of Accounting**

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

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

**D. Budgetary Process**

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

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

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

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**D. Budgetary Process (continued)**

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**

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 2004, the Village had a money market savings account.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2004 was \$1,555.

**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 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**H. Long-Term Obligations**

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

**I. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for the Street Construction Maintenance and Repair Fund, Police Fund, and Capital Project Fund.

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.

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**J. Fund Balance Reserves**

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

**K. Interfund Transactions**

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

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

**Note 3 – Change in Presentation**

Last year the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Village has implemented the cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

**Note 4 – Compliance**

During fiscal year ending December 31, 2004, the Village recorded a transfer from the State Permissive Motor Vehicle License fund to the Capital Project Fund. The transfer was in violation of Ohio Revised Code § 5705.14. The Village subsequently utilized these motor vehicle license tax revenues to pay for a portion of the costs associated with the installation of a pedestrian walkway which was in violation of Ohio Revised Code § 5735.27 and Ohio Attorney General Opinion 37-880.

The Village has posted an adjustment to reimburse the State Permissive Motor Vehicle License Tax fund from the General Fund, which is reflected in the financial statements.

**Note 5 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Street Construction Maintenance and Repair Fund, and Police Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$35,245 for the General Fund and \$2,700 for the Street Construction Maintenance and Repair Fund.

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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**Note 6 – Deposits and Investments**

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

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

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

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

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).

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Village by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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**Note 6 - Deposits and Investments (Continued)**

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. Payment for investments may be made only upon delivery of the securities representing the investments to the Village or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At year end, the carrying amount of the Village's deposits was \$795,712, and the bank balance was \$847,567. Of the bank balance \$100,000 was covered by federal depository insurance and \$747,567 was uninsured. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Village to a successful claim by the FDIC.

**Note 7 – Income Taxes**

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

**Note 8 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2004 represent the collection of 2003 taxes. Public utility real and tangible personal property taxes received in 2003 became a lien on December 31, 2002, were

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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**Note 8 – Property Taxes (Continued)**

levied after October 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2004 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2004, was \$7.40 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property	
Residential	\$11,997,550
Agriculture	39,810
Commercial/Industrial/Mineral	3,577,660
Public Utility Property	
Personal	448,630
Tangible Personal Property	686,210
Total Assessed Value	<u>\$16,749,860</u>

**Note 9 – Risk Management**

The Village has obtained commercial insurance through Selective Insurance Company for the following risks:

- Comprehensive property and general liability.
- Vehicles
- Inland Marine; and
- Umbrella Liability

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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**Note 10 – Defined Benefit Pension Plans**

Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, OH 43215-4642.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries to fund pension obligations. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Village's contribution rate for pension benefits for 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$27,973, \$26,922, and \$25,132, respectively.

**Note 11 - Postemployment Benefits**

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**Note 11 - Postemployment Benefits (Continued)**

Ohio Public Employees Retirement System (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's actuarial review performed as of December 31, 2003, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 369,885. Actual Village employer contributions for 2004 which were used to fund postemployment benefits were \$8,258. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003 (the latest information available), were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**Note 12 - Notes Payable**

A summary of the note transactions for the year ended December 31, 2004, follows:

	Interest Rate	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004
<u>Governmental Activities</u>					
<u>Town Hall Renovation</u>					
2004 Cap Improvement Note	3.65%	\$ 21,197	\$ 89,269	\$ 0	\$ 110,466

The Town Hall note is secured by the Village's taxing authority.



**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**Note 13 – Debt**

The Village's long-term debt activity for the year ended December 31, 2004, was as follows:

<u><b>Business-Type Activities</b></u>	Interest Rate	Balance December 31, 2003	Reductions	Balance December 31, 2004	Due Within One Year
OWDA Sewer Loan	8.35%	\$ 454,490	\$ 28,668	\$425,822	\$31,061
OPWC Loan – Water and Sewer Line	0.00%	121,193	6,733	114,460	6,733
OPWC Loan - Willis St Project	0.00%	19,887	994	18,893	994
<b>Total Business-Type Activities</b>		<u>\$595,570</u>	<u>\$36,395</u>	<u>\$559,175</u>	<u>\$38,788</u>

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

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

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

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

<u><b>Year</b></u>	<u><b>OWDA Loan</b></u>		<u><b>OPWC Loans</b></u>
	<u><b>Principal</b></u>	<u><b>Interest</b></u>	<u><b>Principal</b></u>
2005	\$ 31,061	\$ 35,428	\$ 7,728
2006	33,655	32,834	7,728
2007	36,465	30,024	7,728
2008	39,510	26,979	7,728
2009	42,809	23,680	7,728
2010	46,384	20,106	7,728
2011 – 2015	195,938	38,310	38,637
2016 – 2020	0	0	38,637
2021 – 2025	0	0	9,711
<b>Totals</b>	<u>\$425,822</u>	<u>\$207,361</u>	<u>\$133,353</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2004 were an overall debt margin of \$1,758,735 and an un-voted debt margin of \$921,242.

VILLAGE OF CENTERBURG  
KNOX COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)

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**Note 14 – Interfund Transfers**

During 2004 the following transfers were made:

<u>Transfers from the General Fund to:</u>	
Capital Projects fund	\$ 34,672
Water fund	265
Sewer Fund	635
Total Transfers from the General Fund	<u>\$ 35,572</u>

Transfers to the Capital Projects fund were to allocate both unrestricted revenues and donations collected in the General Fund to finance a portion of the costs for the construction of the Trojan Trail pedestrian walkway into the fund designated for that project. Transfers to the Enterprise funds from the General Fund were to allocate a portion of interest earnings to those funds during 2004.

**Note 15 – Contingent Liabilities**

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

**Note 16 – Jointly Governed Organizations**

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



## Auditor of State Betty Montgomery

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

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

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Centerburg, Knox County, Ohio, (the Village) as of and for the year ended December 31, 2004, which collectively comprise the Village's basic financial statements and have issued our report thereon dated July 24, 2006 wherein we noted the Village implemented the cash basis of accounting. 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 because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

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

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. In a separate letter to the Village's management dated July 24, 2006, we reported a matter related to noncompliance we deemed immaterial.

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Village of Centerburg  
Knox County  
Independent Accountants' Report On Internal Control Over  
Financial Reporting And On Compliance And Other Matters  
Required By *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the audit committee, management and Village Council. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

July 24, 2006

VILLAGE OF CENTERBURG  
KNOX COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2004

FINDING RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2004-001

**Noncompliance Citation – Finding for Adjustment**

Ohio Rev. Code Section 5705.14 states that monies retained or received by a municipal corporation under Ohio Rev. Code section 5735.27 (motor vehicle fuel excise taxes), may only be transferred from the fund into which they were deposited to the sinking fund or bond retirement fund from which any principal, interest, or charges for which such moneys may be used is payable.

Article XII, Section 5a of the Ohio Constitution states that no monies derived from fees, excises, or license taxes relating to registration, operation, or use of vehicles on public highway, or to fuels used for propelling such vehicles, shall be expended for other than costs of administering such laws, statutory refunds and adjustments provided therein, payment of highway obligations, costs for construction, reconstruction, maintenance and repair of public highways and bridges and other statutory highway purposes, expense of state enforcement of traffic laws, and expenditures authorized for hospitalization of indigent persons injured in motor vehicle accidents on the public highways.

In addition, Ohio Revised Code Section 5735.27 provides that Permissive Motor Vehicle License tax revenue is to be used to construct, repave, widen, or maintain public highways, roads, and streets. Further, Ohio Attorney General Opinion 37-880 indicates that motor vehicle license tax funds may not be used to construct sidewalks within the road easement, but outside the portion of the road traveled by motor vehicles.

On August 3, 2004, the Village recorded a transfer from the Permissive Motor Vehicle Tax fund to the Capital Projects special revenue fund in the amount of \$20,672. The funds were then utilized to pay a portion of the construction costs related to the installation of a pedestrian walking trail within the limits of the Village.

As noted above, the transfer and subsequent use of the Village's motor vehicle license tax revenue to pay costs associated with the installation of a pedestrian walkway is not a permissible expenditure of these funds.

The Village has posted an adjustment to reimburse the Permissive Motor Vehicle Tax Fund from the General Fund, which is also reflected in the financial statements.

**Officials' Response and Corrective Action Plan**

The Village has recorded a transfer from the General Fund to the Permissive Motor Vehicle Tax Fund to reimburse the fund for the expenditures.

The Clerk-Treasurer will require a written legal opinion from the Village Solicitor prior to the transfer of monies from any and all funds when the transfer is for a purpose that varies or could be construed to vary in any degree from any purpose as stated in the Ohio Revised Code.





**Auditor of State  
Betty Montgomery**

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**VILLAGE OF CENTERBURG**

**KNOX COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 21, 2006**