

Village of Centerville

Gallia County

Regular Audit

January 1, 2003 Through December 31, 2004

Fiscal Years Audited Under GAGAS: 2004 & 2003

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**Auditor of State
Betty Montgomery**

Members of Council
Village of Centerville
PO Box 8
Thurman, Ohio 45685

We have reviewed the *Independent Auditor's Report* of the Village of Centerville, Gallia County, prepared by Balestra, Harr & Scherer, CPAs, Inc. for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the AOS permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Centerville is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

February 14, 2006

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VILLAGE OF CENTERVILLE
GALLIA COUNTY

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Independent Auditors Report

Members of Council
Village of Centerville
P.O. Box 8
Thurman, Ohio 45685-0008

We have audited the accompanying financial statements of the Village of Centerville, Gallia County, (the Village) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to 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. We believe our audit provides a reasonable basis for our opinion.

As described in Note 8, the Village borrowed \$85,000 in 2003 from a financial institution. The debt agreement requires the debt to be payable upon demand, but if no demand is made, the Village is required to make monthly payments of \$500, with a final balloon payment of \$78,741 due on June 15, 2008. The Village intends to repay this debt from sewer utility charges. As of December 31, 2004, the Village's Enterprise fund cash balance was \$241. Note 8 also describes the Village's management plan to repay this debt in 2008.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and for 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their financial statement amounts, the following paragraph does not imply the amounts are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

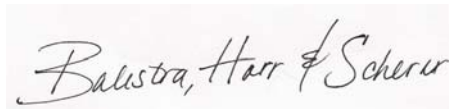
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In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances for the Village of Centerville, Gallia County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion & Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion & Analysis which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated September 22, 2005, 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. That report describes scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. 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.



Balestra, Harr & Scherer, CPAs, Inc.
September 22, 2005

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 2,084	\$ -	\$ 2,084
Intergovernmental Receipts	76,106	3,020	79,126
Charges for Services	1,741	-	1,741
Earnings on Investments	17	2	19
Miscellaneous	9,626	-	9,626
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	89,574	3,022	92,596
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	38,078	-	38,078
Leisure Time Activities	1,303	-	1,303
Community Environment	7,200	-	7,200
Transportation	94	1,702	1,796
General Government	36,187	-	36,187
Debt Service:			
Principal Payments	4,352	-	4,352
Interest Payments	1,947	-	1,947
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	89,161	1,702	90,863
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	413	1,320	1,733
	<hr/>	<hr/>	<hr/>
Other Financing Receipts/(Disbursements):			
Transfers-Out	(3,065)	-	(3,065)
Other Financing Sources	2,143	-	2,143
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(922)	-	(922)
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(509)	1,320	811
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	27,676	3,457	31,133
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$ 27,167</u>	<u>\$ 4,777</u>	<u>\$ 31,944</u>
	<hr/>	<hr/>	<hr/>
Reserve for Encumbrances, December 31	<u>\$ 3,837</u>	<u>\$ 11</u>	<u>\$ 3,848</u>
	<hr/>	<hr/>	<hr/>

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

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 885	\$ -	\$ 885
Intergovernmental Receipts	66,594	6,942	73,536
Charges for Services	1,820	-	1,820
Earnings on Investments	67	5	72
Miscellaneous	11,234	-	11,234
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	80,600	6,947	87,547
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	23,773	-	23,773
Public Health Services	433	-	433
Leisure Time Activities	1,594	-	1,594
Community Environment	7,200	-	7,200
Transportation	2,508	35	2,543
General Government	44,290	-	44,290
Debt Service:			
Principal Payments	5,099	-	5,099
Interest Payments	1,702	-	1,702
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	86,599	35	86,634
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(5,999)	6,912	913
	<hr/>	<hr/>	<hr/>
Other Financing Receipts/(Disbursements):			
Other Financing Receipts (Disbursements)	4,301	(4,403)	(102)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	4,301	(4,403)	(102)
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	-	-	-
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	29,374	948	30,322
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$ 27,676	\$ 3,457	\$ 31,133
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Reserve for Encumbrances, December 31	\$ 688	\$ -	\$ 688
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 23,581
Total Operating Cash Receipts	23,581
Operating Cash Disbursements:	
Personal Services	1,097
Fringe Benefits	170
Contractual Services	2,000
Supplies & Materials	26,198
Total Operating Cash Disbursements	29,465
Operating Cash Receipts Over (Under) Operating Cash Disbursements	(5,884)
Non-Operating Cash Receipts (Disbursements):	
Intergovernmental Receipts	2,045
Debt Service-Principal	(1,913)
Debt Service-Interest	(4,343)
Total Non-Operating Cash Receipts (Disbursements)	(4,211)
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(10,095)
Transfers-In	3,065
Net Receipts Over/(Under) Disbursements	(7,030)
Fund Cash Balance, January 1	7,271
Fund Cash Balance, December 31	\$ 241
Reserve for Encumbrances, December 31	\$ 169

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

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 28,596
Total Operating Cash Receipts	28,596
Operating Cash Disbursements:	
Personal Services	1,140
Fringe Benefits	139
Contractual Services	14,278
Supplies & Materials	23,252
Total Operating Cash Disbursements	38,809
Operating Cash Receipts Over (Under) Operating Cash Disbursements	(10,213)
Non-Operating Cash Receipts (Disbursements):	
Intergovernmental Receipts	706
Proceeds from Debt Issuance	85,000
Debt Service-Principal	(71,678)
Debt Service-Interest	(5,259)
Total Non-Operating Cash Receipts (Disbursements)	8,769
Net Receipts Over/(Under) Disbursements	(1,444)
Fund Cash Balance, January 1	8,715
Fund Cash Balance, December 31	\$ 7,271
Reserve for Encumbrances, December 31	\$ 51

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

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Centerville, Gallia County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides maintenance of roads and street lighting, as well as fire protection services and sewer utilities. The Village also contracts with the Gallia County Sheriff's department to provide police protection.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations in Note 3 report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

3. Enterprise Funds

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

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

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

D. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried forward to the following year.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2004</u>	<u>2003</u>
Demand Deposits	<u>\$32,185</u>	<u>\$38,404</u>

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

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended 2004 and 2003 follows:

2003 Budgeted vs. Actual Receipts

Fund	Budgeted Receipts	Actual Receipts	Variance
General	80,701	84,901	4,200
Special Revenue	8,833	6,947	(1,886)
Enterprise	110,056	114,302	4,246
Total	199,590	206,150	6,560

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund	Appropriation Authority	Budgetary Expenditures	Variance
General	109,088	87,287	21,801
Special Revenue	9,153	4,438	4,715
Enterprise	116,576	115,797	779
Total	234,817	207,522	27,295

2004 Budgeted vs. Actual Receipts

Fund	Budgeted Receipts	Actual Receipts	Variance
General	85,633	91,717	6,084
Special Revenue	4,523	3,022	(1,501)
Enterprise	28,290	28,691	401
Total	118,446	123,430	4,984

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund	Appropriation Authority	Budgetary Expenditures	Variance
General	117,062	96,063	20,999
Special Revenue	4,750	1,713	3,037
Enterprise	37,192	35,890	1,302
Total	159,004	133,666	25,338

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sanitary Sewer Loan - General Obligation	\$82,933	5.5%
Ohio Public Works Commission Loan	25,686	0.0%
Real Estate Loan - General Obligation	31,654	5.0%
Total	<u>\$140,273</u>	

The General Obligation Notes are collateralized by the Village's taxing authority. The OPWC Loan is to be repaid with collections from the sanitary sewer system.

The annual requirements to amortize all note debt outstanding as of December 31, 2004, including interest payments of \$22,218 are as follows:

Year ending December 31:	<u>Sanitary Sewer Loan</u>	<u>OPWC Loan</u>	<u>Real Estate Loan</u>	<u>Total</u>
2005	\$6,000	\$ 755	\$5,747	\$12,502
2006	6,000	1,511	5,747	13,258
2007	6,000	1,511	5,747	13,258
2008	80,971	1,511	5,747	88,229
2009-2011	0	20,398	14,846	35,244
Total	<u>\$98,971</u>	<u>\$25,686</u>	<u>\$37,834</u>	<u>\$162,491</u>

6. RETIREMENT SYSTEM

The Village's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

7. RISK MANAGEMENT

Risk Pool Membership

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

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expense. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation. If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks including automobile physical damage, there is no aggregate for 2004 and future accident years. As of 2004, PEP retains property risks, including automobile physical damage, up to \$100,000 on a specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operation contributions.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2004.

	<u>2004</u>
<i>Casualty Coverage:</i>	
Assets	\$30,547,049
Liabilities	<u>(16,989,918)</u>
Retained Earnings	<u><u>\$13,557,131</u></u>
<i>Property Coverage:</i>	
Assets	\$3,652,970
Liabilities	<u>(544,771)</u>
Retained Earnings	<u><u>\$3,108,199</u></u>

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

8. SANITARY SEWER NOTE RETIREMENT

The Village obtained an \$85,000 Sanitary Sewer general obligation note in June 2003 which was used to retire the \$70,000 Sanitary Sewer General Obligation Note with the balance being used for repairs to the sanitary sewer system pumps. This note is payable upon demand, but if no demand is made, it requires 59 monthly payments of \$500 beginning July 15, 2003 with a final balloon payment of \$78,471 due on June 15, 2008. The payments on the Sanitary Sewer General Obligation Note are made from revenues generated from the sanitary sewer system through customer usage charges. Customer charges are not sufficient to generate the \$78,741 required to make the final payment due prior to June 15, 2008. Council intends to continually refinance the balloon payment amount until the obligation can be reduced to an amount small enough that it can be repaid in its entirety.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Members of Council
Village of Centerville
P.O. Box 8
Thurman, Ohio 45685-0008

We have audited the financial statements of the Village of Centerville, Gallia County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated September 22, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2004-003.

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 that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the only reportable condition described above is not a material weakness.

Members of Council
Village of Centerville
Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Governmental Auditing Standards*
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items 2004-001 and 2004-002.

We also noted certain additional matters that we reported to the management of the Village in a separate letter dated September 22, 2005.

This report is intended for the information and use of the management, Village Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

September 22, 2005

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Noncompliance Citation

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

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

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

During 2004 and 2003, actual revenue was significantly less than estimated resources in the Special Revenue Fund Type by \$1,501 and \$1,886, respectively. In each year the amount of the deficiency reduced available resources below the level of appropriations.

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

FINDING NUMBER 2004-002

Noncompliance Citation

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

Appropriations exceeded the total estimated revenue during and at the end of 2004 in the General Fund by \$3,754 and the Enterprise Fund by \$1,632. This could result in deficit spending.

We recommend the Village monitor budgetary data to ensure that total appropriations from each fund do not exceed the total estimated revenue certified to the County Auditor.

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-003

Reportable Condition

During June 2003, the Village refinanced a \$70,000 general obligation note and borrowed an additional \$15,000. The proceeds of the \$85,000 note were used to pay off the \$70,000 note, with the balance of the proceeds used to repair the pump in the sanitary sewer system. The note is payable upon demand, but if no demand is made, monthly payments of \$500 are required through May 2008, with a final balloon payment of \$78,471 due by June 15, 2008. The payments for this note are made from the sanitary sewer fund, from revenues generated by user fees for sanitary sewer service. The Village currently generates approximately \$2,000 per month in user fees, with approximately \$1,000 per month being payable to the Village of Rio Grande for operating the sewer plant. The remaining \$1,000 per month is used to maintain the sewer system as well as pay the required \$500 monthly loan payment. At this rate, the Village will be unable to generate sufficient revenues to repay the final balloon payment by June 15, 2008. The Village Council intends to refinance the balloon portion of the note when due, however, if the Village is unable to refinance the balance or obtain other means of repayment, the Village will be considered to be in default on this loan.

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

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

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-001	Material Citation for not maintaining Village records and preparing accurate financial statements.	Yes	Corrected
2002-002	Noncompliance Citation with regard to appropriations exceeding estimated revenue.	No	Not Corrected. Reissued as Finding 2004-002.
2002-003	Noncompliance Citation with regard to expenditures exceeding appropriations.	Yes	Corrected
2002-004	Material Citation with regard to the obligation of Village funds without prior certification of available revenue from the fiscal officer.	Yes	Corrected
2002-005	Noncompliance Citation with regard to obtaining an amended certificate of estimated resources.	No	Not corrected. Reissued as Finding 2004-001
2002-006	Reportable Condition concerning the use of duplicate receipts.	Yes	Corrected
2002-007	Material Weakness concerning performance of bank reconciliations timely.	No	Substantially corrected. Reported to management in a separate letter.
2002-008	Material Weakness concerning the repayment of sewer fund debt.	No	Not Corrected. Reissued as Finding 2004-003, but modified to reportable condition.



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VILLAGE OF CENTERVILLE

GALLIA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 23, 2006**