

**VILLAGE OF CENTERVILLE
GALLIA COUNTY
Regular Audit
December 31, 2008 and 2007**

Perry & Associates
Certified Public Accountants, A.C.



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Village of Centerville, Gallia County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2007 through December 31, 2008. 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. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State 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 Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State 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 "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 27, 2009

This Page is Intentionally Left Blank.

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary Fund Types For the Year Ended December 31, 2008	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2007	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary Fund Types For the Year Ended December 31, 2007	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	14
Schedule of Audit Findings	16
Schedule of Prior Audit Findings	20

Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

INDEPENDENT ACCOUNTANTS' REPORT

July 31, 2009

Village of Centerville
Gallia County
PO Box 8
Thurman, Ohio 45685

To the Mayor, Fiscal Officer and Village Council:

We have audited the accompanying financial statements of the **Village of Centerville, Gallia County, Ohio**, (the Village) as of and for the years ended December 31, 2008 and 2007. 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 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. 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 \$71,651 due in June 2013. The Village intends to repay this debt from sewer utility charges. As of December 2008, the Village's Enterprise Fund had a negative cash balance of \$3432. Note 8 also describes the Village's management plan to repay this debt.

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 GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported 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.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 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, 2008 and 2007 or their changes in financial position or cash flows 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 reserve for encumbrances of the Village of Centerville, Gallia County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The accompanying financial statements have been prepared assuming the Village will continue as a going concern. As discussed in Note 9 to the financial statements, the Village has suffered recurring net losses and has a deficit in the Sewer Operating Fund. These conditions raise substantial doubt about the Village's ability to continue as a going concern. Management's plans regarding those matters are also described in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Village has not presented Management's Discussion and 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 July 31, 2009, 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.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**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, 2008**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 3,796	\$ -	\$ 3,796
Intergovernmental	64,348	2,803	67,151
Charges for Services	3,719	-	3,719
Fines, Licenses, and Permits	469	-	469
Miscellaneous	11,697	-	11,697
	<u>84,029</u>	<u>2,803</u>	<u>86,832</u>
Total Cash Receipts			
	<u>84,029</u>	<u>2,803</u>	<u>86,832</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	52,012	-	52,012
Contract Services	4,200	-	4,200
General Government	24,352	-	24,352
Transportation	-	2,067	2,067
Debt Service:			
Redemption of Principal	19,574	-	19,574
Interest and Fiscal Charges	2,338	-	2,338
Capital Outlay	25,558	-	25,558
	<u>128,034</u>	<u>2,067</u>	<u>130,101</u>
Total Cash Disbursements			
	<u>128,034</u>	<u>2,067</u>	<u>130,101</u>
Total Cash Receipts Over/(Under) Disbursements	<u>(44,005)</u>	<u>736</u>	<u>(43,269)</u>
Other Financing Receipts/(Disbursements):			
Loan Proceeds	42,000	-	42,000
	<u>42,000</u>	<u>-</u>	<u>42,000</u>
Total Other Financing Receipts/(Disbursements)			
	<u>42,000</u>	<u>-</u>	<u>42,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(2,005)	736	(1,269)
Fund Cash Balances, January 1	<u>3,963</u>	<u>9,532</u>	<u>13,495</u>
Fund Cash Balances, December 31	<u>\$ 1,958</u>	<u>\$ 10,268</u>	<u>\$ 12,226</u>
Reserve for Encumbrances, December 31	<u>\$ 3,836</u>	<u>\$ 11</u>	<u>\$ 3,847</u>

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 PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 25,915
Total Operating Revenues	25,915
Operating Cash Disbursements:	
Personal Services	1,062
Contractual Services	17,974
Supplies and Materials	2,500
Total Operating Cash Disbursements	21,536
Operating Income (Loss)	4,379
Non-Operating Cash Disbursements:	
Debt Service:	
Redemption of Principal	3,154
Interest and Fiscal Charges	4,731
Total Nonoperating Expenses	7,885
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers/Advances	(3,506)
Net Receipts Over/(Under) Cash Disbursements	(3,506)
Fund Cash Balances, January 1	74
Fund Cash Balances, December 31	\$ (3,432)
Reserve for Encumbrances, December 31	\$ 169

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, 2007**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 2,313	\$ -	\$ 2,313
Intergovernmental	73,590	3,141	76,731
Charges for Services	2,843	-	2,843
Fines, Licenses, and Permits	1,066	-	1,066
Miscellaneous	12,729	-	12,729
	<u>92,541</u>	<u>3,141</u>	<u>95,682</u>
Total Cash Receipts			
	<u>92,541</u>	<u>3,141</u>	<u>95,682</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	37,743	-	37,743
Contractual Services	7,000	205	7,205
General Government	43,809	-	43,809
Debt Service:			
Principal Payment	4,759	-	4,759
Interest and Fiscal Charges	988	-	988
	<u>94,299</u>	<u>205</u>	<u>94,504</u>
Total Cash Disbursements			
	<u>94,299</u>	<u>205</u>	<u>94,504</u>
Total Cash Receipts Over/(Under) Disbursements	<u>(1,758)</u>	<u>2,936</u>	<u>1,178</u>
Other Financing Receipts/(Disbursements):			
Advance-Out	(520)	-	(520)
	<u>(520)</u>	<u>-</u>	<u>(520)</u>
Total Other Financing Receipts/(Disbursements)			
	<u>(520)</u>	<u>-</u>	<u>(520)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(2,278)</u>	<u>2,936</u>	<u>658</u>
Fund Cash Balances, January 1	<u>6,241</u>	<u>6,596</u>	<u>12,837</u>
Fund Cash Balances, December 31	<u>\$ 3,963</u>	<u>\$ 9,532</u>	<u>\$ 13,495</u>
Reserve for Encumbrances, December 31	<u>\$ 3,836</u>	<u>\$ 11</u>	<u>\$ 3,847</u>

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 PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 25,404
Total Operating Revenues	25,404
Operating Cash Disbursements:	
Personal Services	1,069
Contractual Services	16,934
Supplies and Materials	1,949
Total Operating Cash Disbursements	19,952
Operating Income (Loss)	5,452
Non-Operating Cash Disbursements:	
Debt Service:	
Redemption of Principal	3,070
Interest and Fiscal Charges	4,108
Total Nonoperating Expenses	7,178
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers/Advances	(1,726)
Advance-In	520
Net Receipts Over/(Under) Cash Disbursements	(1,206)
Fund Cash Balances, January 1	1,280
Fund Cash Balances, December 31	\$ 74
Reserve for Encumbrances, December 31	\$ 289

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

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Centerville, Gallia County (the Village), as a body corporate and politic. A publicly elected six-member Council governs the Village. The Village provides maintenance of roads, street lighting, and fire protection and sewer utilities. The Village also contracts with the Gallia County Sheriff's Office 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 accounting basis the Auditor of State prescribes or permits. 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 report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters the Auditor of State prescribes.

C. Fund Accounting

The Village uses fund accounting to segregate cash 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 Fund

This fund is used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Village has the following significant Special Revenue Fund:

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

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. Enterprise Fund

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

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

D. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered 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 over and need not be reappropriated.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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:

	2008	2007
Demand deposits	\$ 8,794	\$ 13,569

Deposits: are insured by the Federal Deposit Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 78,184	\$ 126,029	\$ 47,845
Special Revenue	2,700	2,803	103
Enterprise	26,208	25,915	(293)
Total	\$ 107,092	\$ 154,747	\$ 47,655

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 82,000	\$ 131,870	\$ (49,870)
Special Revenue	5,271	2,078	3,193
Enterprise	24,440	29,590	(5,150)
Total	\$ 111,711	\$ 163,538	\$ (51,827)

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$76,087	\$92,541	\$16,454
Special Revenue	2,664	3,141	477
Enterprise	24,000	25,404	1,404
Total	\$102,751	\$121,086	\$18,335

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$83,000	\$98,135	(\$15,135)
Special Revenue	5,271	216	5,055
Enterprise	24,440	27,419	(2,979)
Total	\$112,711	\$125,770	(\$13,059)

Contrary to Ohio Rev. Code Section 5705.39, total appropriations exceeded total estimated resources during the year in the General Fund.

Contrary to Ohio Rev. Code Section 5705.41 (B), actual expenditures exceeded appropriations in 2008 and 2007 in the General, and Enterprise Funds.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which Village Council adopts rates. 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 payment, 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.

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007
(Continued)**

5. DEBT

Debt outstanding at December 31, 2008 was as follows:

	Principal	Interest Rate
Sanitary Sewer Loan – General Obligation*	\$ 77,272	5.50%
Ohio Public Works Commission Loan	20,400	0.00%
Fire Truck Loan– General Obligation*	39,201	5.25%
Total	\$ 136,873	

*- The Prior Audit Report balances for two loans were misstated. The Sanitary Sewer Loan had \$80,335 outstanding and the Real Estate Loan had \$21,675 outstanding as of December 31, 2006.

In 2001 the Village entered into a Real Estate General Obligation loan agreement for \$45,000 to purchase property. The loan was being paid through monthly payments of \$479 including interest until March of 2008 when the Village refinanced and increased the loan for purchase of Fire Truck.

In 2008 the Village entered into a new loan agreement to purchase a 1996 Fire Truck for \$25,558 and retire the remainder of the Real Estate General Obligation Loan. The loan originally totaling \$42,000 will be repaid through monthly payments of \$451.17, including interest. The Village's taxing authority collateralizes the General Obligation Notes.

In 2005 the Village entered into a loan agreement with OPWC for upgrades to the sewer system. The original amount of loan was \$25,686 at 0%. The loan will be paid off through semiannual payments of \$755.47. The OPWC loan is to be repaid with collections from the sanitary sewer system.

In 2003 the Village entered into new loan agreements for a sewer construction project. The Sanitary Sewer Loan was for \$85,000 at 5.50%. The loan will be paid off in monthly installments of \$500 including interest. The loan is to be repaid with collections from the sanitary sewer system.

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

	Sanitary Sewer Loan	OPWC Loan	Fire Truck Loan	Total
Year ending December 31:				
2009	6,000	1,511	5,414	12,925
2010	6,000	1,511	5,414	12,925
2011	6,000	1,511	5,414	12,925
2012	6,000	1,511	5,414	12,925
2013	71,651	1,511	5,414	78,576
Thereafter	-	12,845	22,559	35,404
Total	\$ 95,651	\$ 20,400	\$ 49,629	\$ 165,680

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007
(Continued)**

6. RETIREMENT SYSTEMS

The Village's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multi-employer plan. This plan provides retirement benefits, including post retirement 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 2008 and 2007, members of PERS contributed 10% (2008) and 9.5% (2007) of their gross salaries. The Village contributed an amount equal to 14% (2008) and 13.85% (2007) of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

7. RISK MANAGEMENT

Risk Pool Management

The Village is a member of the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio political subdivisions. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member political subdivisions 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 up to \$350,000 per claim, including loss adjustment expenses. PEP makes an annual contribution to APEEP. APEEP reinsures casualty claims exceeding \$350,000, up to \$2,650,000 per claim and \$5,000,000 in the aggregate per year. If losses exhaust PEP's net assets, APEEP covers PEP's retained casualty risk up to \$10,000,000 per year, subject to a per-claim limit of \$3,000,000. Local political subdivisions can elect additional coverage, up to a limit of \$12,000,000 from the General Reinsurance Corporation.

Property Coverage PEP retains property risks, including automobile physical damage, up to \$100,000 in any one occurrence. APEEP reinsures property losses that are greater than \$100,000 up to \$250,000 per occurrence. The Travelers Indemnity Company reinsures losses exceeding \$250,000 up to \$600,000,000 per occurrence.

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 local government.

Financial Position PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net assets at December 31, 2007 and 2006, (the latest information available):

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007
(Continued)**

7. RISK MANAGEMENT (Continued)

Risk Pool Management (Continued)

	2007	2006
Statement of Net Assets		
Assets	\$37,560,071	\$36,123,194
Liabilities	(17,340,825)	(16,738,904)
Net Assets-Unrestricted	\$20,219,246	\$19,384,290

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 through customer usage charges. Customer charges are not sufficient to generate the funds required to make the final payment due prior to June 15, 2013. 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.

9. GOING CONCERN

The Village expenses have exceeded revenues for the years of 2005, 2006, 2007, and 2008 in the Sewer Operating Fund. In addition, an Advance in 2008 from the Street Construction, Maintenance and Repair Fund to the Sewer Operating was determined to be improper and the accompanying financial statements reflect the audit adjustment to return the Advance. As a result, the Sewer Operating Fund has a deficit at the end of 2008.

While the Village is in a positive cash balance position, most of the cash is in the Special Revenue Funds. The uses of these funds are limited either by statute or by levy ballot language and therefore, the Village is not permitted to use these monies to remedy the deficit balances.

The Village's council is looking into various ways for the Village's Sewer Operating Fund to operate efficiently.

The Auditor of State has various remedies available to it, the most severe of which include placing the Village on fiscal watch or fiscal emergency. The Village does not know if such action will be taken.

The accompanying financial statements do not include any adjustments that might be necessary if the Village is unable to continue as a going concern.

Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

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

July 31, 2009

Village of Centerville
Gallia County
PO Box 8
Thurman, Ohio 45685

To the Mayor, Fiscal Officer and Village Council:

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, 2008 and 2007, and have issued our report thereon dated July 31, 2009, 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

Internal Control Over Financial Reporting (Continued)

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2008-001 through 2008-006.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe significant deficiencies 2008-001 and 2008-006 are material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated July 31, 2009.

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 two instances of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-004 through 2008-006.

This report is intended solely for the information and use of management and Village Council and is not intended to be, and should not be used by anyone other than these specified parties.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 and 2007**

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

FINDING NUMBER 2008-001

Significant Deficiency/Material Weakness

Posting Receipts and Expenditures

Receipts should be posted to the fund and line item accounts as established by Ohio Administrative Code Section 117-7-01.

The following conditions were noted:

- The Village entered into a new loan agreement in 2008, to purchase a fire truck, and to settle the outstanding balance of an existing loan. The correct amount of the loan was not recorded, nor was the settlement of the loan.
- Numerous mis-classified expenditures requiring reclassifications during both 2008 and 2007.

As a result, the Village did not maintain an accounting system and accounting records sufficient to enable the Village to report its transactions and prepare accurate financial statements for 2008 and 2007.

We recommend the Fiscal Officer refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Village Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 and 2007**

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

FINDING NUMBER 2008-002

Significant Deficiency

Debt

In 2003 the Village refinanced a \$ 70,000 general obligation note and borrowed an additional \$15,000. The proceeds of the \$85,000 were used to pay off the \$70,000 note, and the balance was 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 2013, with a final balloon payment due by June 15, 2013. 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 over \$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, 2013. The Village Council intends to refinance the balloon portion of the note when due, however, if the Village is unable to successfully refinance the balloon portion 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 deposits account balance the Village has with the financial institution; demand security, additional security, or additional parties to be obligated to pay this note as a condition for not using any other remedy; refuse to 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 Council 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 substantial repairs. Potential solutions for generating additional revenue include but are not limited to levying a new tax, implementing a user based fee opposed to a flat rate, or pursuing grant funding.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 and 2007**

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

FINDING NUMBER 2008-003

Significant Deficiency

Advances

In order to advance cash from one fund to another, Auditor of State Bulletin 97-003 suggests there must be statutory authority to use the money in the fund advancing the cash (the “creditor” fund) for the same purpose for which the fund receiving the cash (the “debtor” fund) was established. In addition, advances must be approved by a formal resolution of the taxing authority of the subdivision which must include: (1) a specific statement that the transaction is an advance of cash, and, (2) an indication of the money (fund) from which it is expected that repayment will be made.

To alleviate short-term cash flow problems, the Village advanced monies between the General, Street Construction Maintenance & Repair and Sewer Operating Funds. The Village did not repay the advances to the appropriate fund nor were the repayments in the correct amount.

We recommend that the Village follow the guidance outlined in Auditor of State Bulletin 97-003 to initiate an advance. The Board should approve all advances. In addition, if the Village’s intent is to not repay the advance, the taxing authority should by Resolution turn the unpaid advance into a transfer.

Management’s Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2008-004

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated fund resources from each fund. This section also requires the Village to obtain a County Auditor’s certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

During 2008 and 2007, total appropriations exceeded total estimated resources in the General Fund.

Village Council should monitor appropriations versus estimated resources to help avoid overspending.

Management’s Response – We did not receive a response from officials to this finding.

VILLAGE OF CENTERVILLE
GALLIA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008 and 2007

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

FINDING NUMBER 2008-005

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

Actual expenditures exceeded appropriations in 2008 and 2007 in the General, and Enterprise Funds. Also, the Enterprise Fund had outstanding encumbrances greater than fund balances at year end in both 2008 and 2007.

We recommend the Village Fiscal Officer modify appropriations with the Council members and County Budget Commission before incurring obligations that would cause expenditures to exceed appropriations. The Village Fiscal Officer should deny any payments until the legislative authority has passed the necessary changes to the appropriation measure.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2008-006

Noncompliance Citation/ Significant Deficiency/Material Weakness

Ohio Revised Code Section 5705.10 requires that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The Village had a negative fund balance at December 31, 2008 as follows:

<u>Fund</u>	<u>2008</u>
Enterprise Fund	(3,432)

We recommend the Village monitor their fund balances and, when a deficit occurs and is expected to be temporary (i.e., pending the receipt of a grant, tax settlement, etc), we recommend the Village advance monies from the General Fund until the debtor fund can advance the monies back. In this case we recommend that expenditures and income be watched closer by the Fiscal Officer and Council to prevent the Enterprise Fund from going into the negative.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 and 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	ORC Section 5705.39- Appropriations exceed Estimated Resources.	No	Repeat as finding 2008-004
2006-002	ORC Section 5705.41D –The Village did not properly certify the availability of funds prior to purchase commitment	Yes	
2006-003	ORC Section 5705.41B –Expenditures exceeded appropriations.	No	Repeat as finding 2008-005
2006-004	Posting Receipts and Expenditures.	No	Repeat as finding 2008-001
2006-005	Sanitary Sewer System is not generating sufficient revenue to be able to repay the final balloon payment due in 2013.	No	Repeat as finding 2008-002



Mary Taylor, CPA
Auditor of State

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
NOVEMBER 10, 2009**