

**VILLAGE OF CENTERVILLE
GALLIA COUNTY
Regular Audit
December 31, 2006 and 2005**



Mary Taylor, CPA

Auditor of State

Members of Council
Village of Centerville
P.O. Box 9
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, 2005 through December 31, 2006. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 1, 2007

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**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

September 11, 2007

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

To the 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, 2006 and 2005. 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 \$78,741 due on June 2008. The Village intends to repay this debt from sewer utility charges. As of December 2006, the Village's Enterprise Fund cash balance was \$1280. 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 GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present it's larger (i.e. major) funds separately for 2006 and 2005. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, 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, 2006 and 2005 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, 2006 and 2005 or their changes in financial position for the years 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, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. 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 September 11, 2007, 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, 2006**

	<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	\$ 67	\$ -	\$ 67
Intergovernmental	67,576	3,021	70,597
Charges for Services	2,908	-	2,908
Fines, Licenses, and Permits	202	-	202
Miscellaneous	13,620	-	13,620
Total Cash Receipts	<u>84,373</u>	<u>3,021</u>	<u>87,394</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	32,059	-	32,059
Community Environment	8,400	-	8,400
Transportation	-	2,569	2,569
General Government	44,268	-	44,268
Debt Service:			
Redemption of Principal	4,188	-	4,188
Interest and Fiscal Charges	1,560	-	1,560
Total Cash Disbursements	<u>90,475</u>	<u>2,569</u>	<u>93,044</u>
Total Cash Receipts Over/(Under) Disbursements	<u>(6,102)</u>	<u>452</u>	<u>(5,650)</u>
Other Financing Receipts and (Disbursements):			
Transfer-Out	<u>(1,589)</u>	<u>-</u>	<u>(1,589)</u>
Total Other Financing Receipts/(Disbursements)	<u>(1,589)</u>	<u>-</u>	<u>(1,589)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(7,691)	452	(7,239)
Fund Cash Balances, January 1	<u>13,932</u>	<u>6,144</u>	<u>20,076</u>
Fund Cash Balances, December 31	<u>\$ 6,241</u>	<u>\$ 6,596</u>	<u>\$ 12,837</u>
Reserve for Encumbrances, December 31	<u>\$ 3,863</u>	<u>\$ 11</u>	<u>\$ 3,874</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
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 27,308
Total Operating Revenues	27,308
Operating Cash Disbursements:	
Personal Services	1,075
Contractual Services	14,760
Supplies and Materials	4,668
Debt Service:	
Redemption of Principal	3,211
Interest and Fiscal Charges	4,369
Total Operating Cash Disbursements	28,083
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers	(775)
Transfer-In	1,589
Net Receipts Over/(Under) Cash Disbursements	814
Fund Cash Balances, January 1	466
Fund Cash Balances, December 31	\$ 1,280
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, 2005**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 39	\$ -	\$ 39
Intergovernmental	67,698	3,128	70,826
Charges for Services	461	-	461
Earnings on Investments	1	-	1
Miscellaneous	11,715	-	11,715
	<u>79,914</u>	<u>3,128</u>	<u>83,042</u>
Total Cash Receipts			
	<u>79,914</u>	<u>3,128</u>	<u>83,042</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	31,237	-	31,237
Community Environment	7,200	-	7,200
Transportation	-	1,573	1,573
General Government	46,531	-	46,531
Debt Service:			
Principal Payment	4,540	-	4,540
Interest and Fiscal Charges	1,207	-	1,207
	<u>90,715</u>	<u>1,573</u>	<u>92,288</u>
Total Cash Disbursements			
	<u>90,715</u>	<u>1,573</u>	<u>92,288</u>
Total Cash Receipts Over/(Under) Disbursements	<u>(10,801)</u>	<u>1,555</u>	<u>(9,246)</u>
Other Financing Receipts and (Disbursements):			
Transfer-Out	<u>(2,434)</u>	<u>-</u>	<u>(2,434)</u>
Total Other Financing Receipts/(Disbursements)	<u>(2,434)</u>	<u>-</u>	<u>(2,434)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(13,235)	1,555	(11,680)
Fund Cash Balances, January 1	<u>27,167</u>	<u>4,777</u>	<u>31,944</u>
Fund Cash Balances, December 31	<u>\$ 13,932</u>	<u>\$ 6,332</u>	<u>\$ 20,264</u>
Reserve for Encumbrances, December 31	<u>\$ 7,228</u>	<u>\$ 11</u>	<u>\$ 7,239</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
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 22,033
Total Operating Revenues	22,033
Operating Cash Disbursements:	
Personal Services	1,106
Supplies and Materials	16,381
Debt Service:	
Redemption of Principal	2,174
Interest and Fiscal Charges	4,581
Total Operating Cash Disbursements	24,242
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers	(2,209)
Transfer-In	2,434
Net Receipts Over/(Under) Cash Disbursements	225
Fund Cash Balances, January 1	241
Fund Cash Balances, December 31	\$ 466
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, 2006 AND 2005**

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 Co. 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 Funds

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Village has the following significant Special Revenue Funds:

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, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. Enterprise Funds

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

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

Sanitary Sewer Loan Fund – This fund receives loan proceeds to finance installations 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 (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 canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(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:

	<u>2006</u>	<u>2005</u>
Demand deposits	\$14,117	\$20,542

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

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$82,000	\$84,373	\$2,373
Special Revenue	3,724	3,021	(703)
Enterprise	26,000	28,897	2,897
Total	<u>\$111,724</u>	<u>\$116,291</u>	<u>\$4,567</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$95,000	\$95,927	(\$927)
Special Revenue	4,950	2,580	2,370
Enterprise	24,443	28,252	(3,809)
Total	<u>\$124,393</u>	<u>\$126,759</u>	<u>(\$2,366)</u>

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$72,077	\$79,914	\$7,837
Special Revenue	2,524	3,128	604
Enterprise	24,000	24,467	467
Total	<u>\$98,601</u>	<u>\$107,509</u>	<u>\$8,908</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$98,476	\$100,377	(\$1,901)
Special Revenue	6,000	1,584	4,416
Enterprise	24,443	24,531	(88)
Total	<u>\$128,919</u>	<u>\$126,492</u>	<u>\$2,427</u>

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio Rev. Code Section 5705.41 (D), the certification of availability of unencumbered appropriations for expenditure was not obtained for 18% of expenditures tested during 2006 and 6% of expenditures testing during 2005.

Contrary to 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 disbursements exceeded appropriations in 2005 and 2006 in the General Fund and Enterprise Fund.

Contrary to Ohio Rev Code 5705.39 requires that total appropriations from each fund not exceed total estimated fund resources from each fund. During 2005, total appropriations exceeded total estimated resources in the State Highway Fund.

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.

5. DEBT

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
Sanitary Sewer Loan – General Obligation	\$ 79,814	5.50%
Ohio Public Works Commission Loan	23,420	0.00%
Real Estate Loan – General Obligation	22,926	5.00%
Total	\$ 126,160	

The Village's taxing authority collateralizes the General Obligation Notes. The OPWC loan is to be repaid with collections from the sanitary sewer system.

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

5. DEBT (Continued)

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

Year ending December 31:	Sanitary Sewer Loan	OPWC Loan	Real Estate Loan	Total
2007	\$ 6,000	\$ 1,511	\$ 5,747	\$ 13,258
2008	80,971	1,511	5,747	88,229
2009	-	1,511	5,747	7,258
2010	-	1,511	5,747	7,258
Thereafter	-	17,306	3,352	20,658
Total	<u>\$ 86,971</u>	<u>\$ 23,350</u>	<u>\$ 26,340</u>	<u>\$ 136,661</u>

6. RETIREMENT SYSTEMS

The Village's full-time 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 postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The Ohio Revised Code also prescribes contribution rates. Members of OPERS contributed 9.0% and 8.5%, respectively for 2006 & 2005, of their gross salaries. The Village contributed an amount equal to 13.70% of participants' gross salaries in 2006 and 13.55% in 2005. The Village has paid all contributions required through December 31, 2006.

7. RISK MANAGEMENT

Risk Pool Management

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 expenses. 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 with General Reinsurance Corporation, through contracts with PEP. 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.

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. RISK MANAGEMENT (Continued)

Property Coverage

Beginning in 2005, Travelers Indemnity Company reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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 Village. Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

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, 2005:

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$29,719,675	\$27,437,169
Liabilities	<u>(15,994,168)</u>	<u>(13,880,038)</u>
Retained earnings	\$13,725,507	\$13,557,131

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$4,443,332	\$3,648,272
Liabilities	<u>(1,068,245)</u>	<u>(540,073)</u>
Retained earnings	\$3,375,087	\$3,108,199

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. RISK MANAGEMENT (Continued)

The Casualty Coverage assets and retained earnings above include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. PEP will collect these amounts in future annual premium billings when PEP's related liabilities are due for payment.

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 \$78,741 required to make the final payment due prior to June 15, 2008. Council intends to continually refinance to balloon payment amount until the obligation can be reduced to an amount small enough that it can be repaid in its entirety.

Perry & Associates
Certified Public Accountants, A.C.

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

September 11, 2007

Village of Centerville
Gallia County
24 East Main Street
Centerville, Ohio 43701

To the 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, 2006 and 2005, and have issued our report thereon dated September 11, 2007, 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 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: 2006-004 and 2006-005.

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 the significant deficiency 2006-005 described above is a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated September 11, 2007.

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 instances of noncompliance or other matters that we must report under *Government Auditing Standard*, which are described in the accompanying schedule of findings as items 2006-001 through 2006-03.

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, 2006 and 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Noncompliance Citation

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 2005, total appropriations exceeded total estimated resources in the State Highway 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.

FINDING NUMBER 2006-002

Noncompliance Citation

Ohio Revised Code § 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision's fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 and 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-002 (continued)

Ohio Revised Code § 5705.41(D) (Continued)

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. No more than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 18% and 6% of the expenditures tested during 2006 and 2005, respectively. In addition there was no evidence that the Village followed the aforementioned exceptions. Without these certifications, the management of the Village lost budgetary control over expenditures.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend that the Clerk certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, “then and now” certification should be used.

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

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 and 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-003

Noncompliance Citation

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 disbursements exceeded appropriations in 2005 and 2006 in the General Fund and Enterprise Fund.

We recommend the Village Clerk modify appropriations with the Council members and County Budget Commission before incurring obligations that would cause expenditures to exceed appropriations. The Village Clerk 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 2006-004

Significant Deficiency

Posting Expenditures and Revenue

During 2005 and 2006, several expenditures related to debt were not posted into accurate classifications based on the source of the expenditure. Expenditures for debt payments were posted to supplies and materials and in some instances entirely to interest and/or principal rather than broken down between principal and interest. During 2006, revenue was improperly posted to Taxes instead of Intergovernmental Revenue. We also noted during 2005 and 2006, Transfers-In and Transfers-Out were improperly classified as Advances In and Advances-Out. These mispostings resulted in several audit reclassifications.

We recommend the Clerk refer to the Village Handbook for guidance to determine the proper establishment of expenditure accounts and posting of 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, 2006 and 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-005

Significant Deficiency/Material Weakness

Debt

In 2003 the Village refinanced a \$ 70,000 general obligation note and borrowed and 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 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 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, 2008. The Village Council intends to refinance the balloon portion of the note when due, however, if the Village is unable to successfully refinance to 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 include 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 PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	ORC Section 5705.36- Failure to adjust amended certificates once amount collected is determined to be greater or less than official certificate.	Yes	
2004-002	ORC Section 5705.39- ORC Section 5705.39 – Appropriations exceed Estimated Resources.	No	Repeat as finding 2006-01
2004-03	Sanitary Sewer System is not generating sufficient revenue to be able to repay the final balloon payment due in 2008.	No	Repeat as finding 2006-05



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 13, 2007**