



Dave Yost • Auditor of State



**VILLAGE OF CENTERVILLE  
GALLIA COUNTY  
DECEMBER 31, 2016 AND 2015**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Centerville  
Gallia County  
56 Broad Street  
P.O. Box 8  
Thurman, Ohio 45685

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Centerville, Gallia County, Ohio (the Village), as of and for the years ended December 31, 2016 and 2015.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the 2016 financial statements and Note 1 of the 2015 financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Centerville, Gallia County, Ohio, as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2 of the 2016 financial statements and Note 1 of the 2015 financial statements.

***Emphasis of Matter***

The accompanying financial statements have been prepared assuming the Village will continue as a going concern. As discussed in Note 8 to the financial statements, the Village has suffered recurring net losses and has a deficit balance in the Sanitary Sewer Fund as of August 15, 2017. 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 8. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. We did not modify our opinion regarding this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2017, 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 the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 15, 2017

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**Village of Centerville, Ohio***Gallia County**Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2016*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$59	\$0	\$59
Intergovernmental	48,154	3,164	51,318
Charges for Services	5,974	0	5,974
Fines, Licenses and Permits	25	0	25
Miscellaneous	9,596	0	9,596
<i>Total Cash Receipts</i>	<u>63,808</u>	<u>3,164</u>	<u>66,972</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	10,895	0	10,895
Transportation	0	5,180	5,180
General Government	37,152	0	37,152
Debt Service:			
Principal Retirement	2,120	0	2,120
Interest and Fiscal Charges	2,365	0	2,365
<i>Total Cash Disbursements</i>	<u>52,532</u>	<u>5,180</u>	<u>57,712</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>11,276</u>	<u>(2,016)</u>	<u>9,260</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers Out	(2,274)	0	(2,274)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(2,274)</u>	<u>0</u>	<u>(2,274)</u>
<i>Net Change in Fund Cash Balances</i>	9,002	(2,016)	6,986
<i>Fund Cash Balances, January 1</i>	<u>5,576</u>	<u>18,340</u>	<u>23,916</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	16,324	16,324
Assigned	3,960	0	3,960
Unassigned (Deficit)	10,618	0	10,618
<i>Fund Cash Balances, December 31</i>	<u>\$14,578</u>	<u>\$16,324</u>	<u>\$30,902</u>

*See accompanying notes to the basic financial statements*

**Village of Centerville, Ohio**  
*Gallia County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*Proprietary Fund Type*  
*For the Year Ended December 31, 2016*

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	<u>\$31,071</u>
<i>Total Operating Cash Receipts</i>	<u>31,071</u>
<b>Operating Cash Disbursements</b>	
Personal Services	1,198
Employee Fringe Benefits	185
Contractual Services	35,814
Supplies and Materials	<u>8,455</u>
<i>Total Operating Cash Disbursements</i>	<u>45,652</u>
<i>Operating Income (Loss)</i>	<u>(14,581)</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Other Debt Proceeds	20,000
Principal Retirement	(7,990)
Other Financing Sources	<u>475</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>12,485</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	(2,096)
Transfers In	<u>2,274</u>
<i>Net Change in Fund Cash Balances</i>	178
<i>Fund Cash Balances, January 1</i>	<u>781</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$959</u></u>

*See accompanying notes to the basic financial statements*

**Village of Centerville, Ohio**  
*Gallia County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 - Reporting Entity**

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

***Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations***

The Village participates in the Public Entities Pool of Ohio (PEP), a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

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

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

***Street Construction Maintenance and Repair*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***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 Fund:

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

**Village of Centerville, Ohio**  
*Gallia County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

***Budgetary Process***

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

***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 Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

***Encumbrances*** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. 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 2016 budgetary activity appears in Note 3.

***Capital Assets***

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

***Fund Balance***

Fund balance is divided into three classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

***Restricted*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**Village of Centerville, Ohio**  
*Gallia County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Assigned** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 - Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Sewer fund by \$21,957 for the year ended December 31, 2016.

**Note 4 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$59,559	\$63,808	\$4,249
Special Revenue	2,700	3,164	464
Enterprise	32,880	53,820	20,940
Total	\$95,139	\$120,792	\$25,653

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$57,999	\$54,806	\$3,193
Special Revenue	8,500	5,180	3,320
Enterprise	31,685	53,642	(21,957)
Total	\$98,184	\$113,628	(\$15,444)

**Village of Centerville, Ohio**  
*Gallia County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 5 - Deposits**

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2016
Demand deposits	<u>\$31,861</u>

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation.

**Note 6 - Taxes**

***Property Taxes***

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

Public utilities are also taxed on personal and real property located within the Village.

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

**Note 7 - Risk Management**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village 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. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. 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 and Property Coverage**

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

**Village of Centerville, Ohio**  
*Gallia County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

The aforementioned casualty and property reinsurance agreement does 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<b><u>2016</u></b>
Assets	\$42,182,281
Liabilities	(13,396,700)
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Government's share of these unpaid claims collectible in future years is approximately \$6,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<b><u>2016 Contributions to PEP</u></b>
<b>\$10,068</b>

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 8 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

The Villages employees and elected officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contribute 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**Village of Centerville, Ohio**  
*Gallia County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 9 - Debt**

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Fire Truck/Sewer Loan Refiance	\$84,436	2.75%
Ohio Public Works Loan #CT41B	8,310	0%
Ohio Public Works Loan #CU04P	3,911	0%
Total	\$96,657	

The Village refinanced a General Obligation Note for \$\$87,828 on August 10, 2016 which was used to pay for Sanitary Sewer Improvements as well as the balance of the Fire Truck Note. The Village must now make monthly payments until 2023.

***Amortization***

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

	OPWC Loan #CU04P	OPWC Loan #CT41B	General Obligation Notes
Year ending December 31:			
2017	\$148	\$1,511	\$10,784
2018	148	1,511	10,947
2019	148	1,511	11,214
2020	148	1,511	11,269
2021	148	1,511	11,269
2022-2026	738	755	42,026
2027-2031	738		
2032-2036	738		
2037-2041	738		
2042-2043	221		
Total	\$3,911	\$8,310	\$97,509

**Note 10 - Going Concern**

Expenses have exceeded revenues for the years of 2005, 2006, 2007, 2008, 2009, 2010, 2012 and 2014 in the Sanitary Sewer Fund. The Sanitary Sewer Fund continued to reflect a deficit fund balance from June through November of 2016 and only reflected a positive balance at the end of 2016 due to a transfer-in for the amount of \$2,274. While the Village is in a positive cash balance position, most of the cash is in the Special Revenue Funds. The use of these funds is limited by statute and, therefore, the Village is not permitted to use these monies to remedy the deficit balances.

The Village Council is looking into various ways for the Sanitary Sewer Fund to operate efficiently. There are various remedies available, 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.



**Village of Centerville, Ohio***Gallia County**Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2015*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$93	\$0	\$93
Intergovernmental	45,973	3,283	49,256
Charges for Services	6,121	0	6,121
Fines, Licenses and Permits	120	0	120
Miscellaneous	9,657	0	9,657
<i>Total Cash Receipts</i>	<u>61,964</u>	<u>3,283</u>	<u>65,247</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	17,361	0	17,361
Transportation	0	950	950
General Government	48,266	0	48,266
Debt Service:			
Principal Retirement	2,073	0	2,073
Interest and Fiscal Charges	2,529	0	2,529
<i>Total Cash Disbursements</i>	<u>70,229</u>	<u>950</u>	<u>71,179</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(8,265)</u>	<u>2,333</u>	<u>(5,932)</u>
<i>Net Change in Fund Cash Balances</i>	(8,265)	2,333	(5,932)
<i>Fund Cash Balances, January 1</i>	<u>13,841</u>	<u>16,007</u>	<u>29,848</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	18,340	18,340
Unassigned (Deficit)	5,576	0	5,576
<i>Fund Cash Balances, December 31</i>	<u>\$5,576</u>	<u>\$18,340</u>	<u>\$23,916</u>

*See accompanying notes to the basic financial statements*

**Village of Centerville, Ohio**  
*Gallia County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*Proprietary Fund Type*  
*For the Year Ended December 31, 2015*

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	<u>\$31,870</u>
<i>Total Operating Cash Receipts</i>	<u>31,870</u>
<b>Operating Cash Disbursements</b>	
Personal Services	1,210
Employee Fringe Benefits	199
Contractual Services	22,662
Supplies and Materials	<u>556</u>
<i>Total Operating Cash Disbursements</i>	<u>24,627</u>
<i>Operating Income (Loss)</i>	<u>7,243</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Principal Retirement	<u>(7,050)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(7,050)</u>
<i>Net Change in Fund Cash Balances</i>	193
<i>Fund Cash Balances, January 1</i>	<u>588</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$781</u></u>

*See accompanying notes to the basic financial statements*

**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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 directs the Village. The Village provides services that include maintenance of street lighting, fire protection, and sewer utilities. The Village also contracts with the Gallia County Sheriff's Office to provide police protection.

The Village participates in the Public Entities Pool of Ohio (PEP), a public entity risk pool. Note 7 to the financial statements provide additional information for this entity.

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

**B. Accounting Basis**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

**C. Deposits**

All cash assets are maintained in interest bearing checking account.

**D. 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 accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

The Village had the following significant Special Revenue Fund:

Street, Construction, Maintenance, and Repair Fund - This fund receives gasoline tax and motor vehicle license tax money to pay 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 to recover the significant costs of providing certain goods or services through charges. The Village had the following significant Enterprise Fund:

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

**E. 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 Village Council must annually approve appropriation measures and subsequent amendments. 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 approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual 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 2015 budgetary activity appears in Note 3.

**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Fund Balance**

Fund balance is divided into two classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**2. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**2. EQUITY IN POOLED DEPOSITS**

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2015
Demand deposits	<u>\$24,697</u>

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

**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$60,246	\$61,964	\$1,718
Special Revenue	2,700	3,283	583
Enterprise	30,000	31,870	1,870
Total	\$92,946	\$97,117	\$4,171

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$51,000	\$70,229	(\$19,229)
Special Revenue	7,700	950	6,750
Enterprise	25,000	33,321	(8,321)
Total	\$83,700	\$104,500	(\$20,800)

Contrary to Ohio Law, budgetary expenditures exceeded appropriation authority in the General Fund by \$19,229 and in the sewer fund by \$8,321 for the year ended December 31, 2015.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public Utilities are also axed on personal and real property located within the Village.

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, 2015 was as follows:

	Principal	Interest Rate
Fire Truck/Sewer Loan Refinance	\$72,528	3.25%
Ohio Public Works Loan #CT41B	9,821	0%
Ohio Public Works Loan #CU04P	4,058	0%
Total	\$86,407	

**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**5. DEBT (Continued)**

The Village obtained a \$92,084 general obligation note on July 12, 2013 which was used to pay off the Sanitary Sewer Note balance of \$68,825, as well as the balance of the Fire Truck Note of \$22,326. The Village must now make monthly payments of \$902 for an additional nine years.

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

Year Ending December 31:	OPWC Loan #CU04P	OPWC Loan #CT41B	Obligation Loan
2016	\$148	\$1,511	\$10,823
2017	148	1,511	10,823
2018	148	1,511	10,823
2019	148	1,511	10,823
2020	148	1,511	10,823
2021-2025	738	2,266	27,959
2026-2030	737		
2031-2035	738		
2036-2040	737		
2041-2043	368		
Total	<u>\$4,058</u>	<u>\$9,821</u>	<u>\$82,074</u>

**6. RETIREMENT SYSTEM**

The Village's employees and elected officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

**7. RISK MANAGEMENT**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village 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. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York.

**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**7. RISK MANAGEMENT (Continued)**

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 and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2015:

	<b>2015</b>
Assets	\$38,307,677
Liabilities	(12,759,127)
Net Position	<u>\$25,548,550</u>

At December 31, 2015, the liabilities above include approximately \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Government's share of these unpaid claims collectible in future years is approximately \$6,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<b><u>Contributions to PEP</u></b>
<b><u>2015</u></b>
\$9,956

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.





# Dave Yost • Auditor of State

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

Village of Centerville  
Gallia County  
56 Broad Street  
P.O. Box 8  
Thurman, Ohio 45685

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Centerville, Gallia County, Ohio (the Village), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated August 15, 2017, wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We also noted the Village was experiencing financial difficulties.

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

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2016-001 through 2016-002 and 2016-005 through 2016-007 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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 we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2016-001 through 2016-004.

***Entity's Response to Findings***

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 15, 2017

**VILLAGE OF CENTERVILLE  
GALLIA COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015**

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

**FINDING NUMBER 2016-001**

**Noncompliance and Material Weakness**

Ohio Admin. Code § 117-2-02(C)(1) provides that all public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2016, estimated receipts as approved by the Budget Commission did not agree to the Village's accounting system. The variances and funds are as follows:

Fund Type	Approved	UAN System	Variance
Sewer	\$32,880	\$55,979	\$23,099

At December 31, 2015, estimated receipts as approved by the Budget Commission did not agree to the Village's accounting system. The variances and funds are as follows:

Fund Type	Approved	UAN System	Variance
General	\$60,246	\$62,661	\$2,415
Street	2,500	3,057	557
Highway	200	231	31
Sewer	30,000	32,029	2,029
Total	\$92,946	\$97,978	\$5,032

At December 31, 2016, approved appropriations did not agree to the Village's accounting system as follows:

Fund Type	Approved	UAN System	Variance
General	\$57,999	\$60,683	\$2,684
Sewer	31,685	62,390	30,705
Total	\$89,684	\$123,073	\$33,389

At December 31, 2015, approved appropriations did not agree to the Village's accounting system as follows:

Fund Type	Approved	UAN System	Variance
General	\$51,000	\$75,253	\$24,253
Highway	1,700	1,000	(700)
Sewer	25,000	33,354	8,354
Total	\$77,700	\$109,607	\$31,907

**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2016-001 (Continued)**

**Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-02(C)(1) (Continued)**

Due to budgetary information being improperly entered into the system, the management of the Village lost some degree of budgetary control. An adjustment was made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present estimated receipts as approved by the Budget Commission and appropriations approved by the Village Council.

The Fiscal Officer should accurately post estimated receipts as certified by the County Budget Commission and appropriations as approved by the Council, only after receiving approval. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

**Officials' Response:** The Fiscal Officer will make sure that the amounts in UAN and the budget match.

**FINDING NUMBER 2016-002**

**Noncompliance and Material Weakness**

Ohio Admin Code § 117-2-01(D)(3) and (5) states that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

Monthly reconciliations were not performed by the Fiscal Officer in a timely manner.

2016:

- Monthly reconciliations for January through March of 2016 were completed on June 10, 2016.
- Monthly reconciliations for April through May of 2016 were completed on November 5, 2016.
- Monthly reconciliations for June through July of 2016 were completed on November 26, 2016.
- Monthly reconciliations for August through September of 2016 were completed on December 5, 2016.
- Monthly reconciliations for October through November of 2016 were completed on December 31, 2016.
- Monthly reconciliation for December of 2016 was completed on January 27, 2017.

2015:

- Monthly reconciliations for January through April of 2015 were completed on October 6, 2015.
- Monthly reconciliations for May through August of 2015 were completed on October 7, 2015.
- Monthly reconciliation for September of 2015 was completed on December 21, 2015.
- Monthly reconciliations for October through November of 2015 were completed on December 31, 2015.
- Monthly Reconciliation for December of 2015 was completed on February 6, 2016.

Not performing monthly reconciliations in a timely manner can result in cumbersome reconciliations and can lead to inaccurate balances and errors going undetected for long periods of time.

**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

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

**FINDING NUMBER 2016-002 Continued)**

**Noncompliance and Material Weakness - Ohio Admin Code § 117-2-01(D)(3) and (5) (Continued)**

The Fiscal Officer should perform monthly bank reconciliations in a timely manner so reconciling items can be easily identified and corrections, if necessary, can be made in a time manner. These reconciliations should be reviewed and approved by the Village Council at monthly meetings.

**Officials' Response:** The Fiscal Officer will make sure the bank reconciliations are done in a timely manner.

**FINDING NUMBER 2016-003**

**Noncompliance**

Ohio Rev. Code § 5705.41(B) prohibits subdivisions or taxing authorities from expending money unless it has been appropriated.

At December 31, 2016, expenditures exceeded appropriations, as follows:

Fund Type	Authority	Expenditures	Variance
Sewer	\$31,685	\$53,642	\$21,957

At December 31, 2015, expenditures exceeded appropriations, as follows:

Fund Type	Authority	Expenditures	Variance
General	\$51,000	\$70,229	\$19,229
Sewer	25,000	33,321	8,321
Total	\$76,000	\$103,550	\$27,550

The practice of allowing expenditures to exceed appropriations could result in overspending and deficit fund balances.

The Fiscal Officer should compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Council should adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

**Officials' Response:** The Fiscal Officer will compare and remember to have council approve new appropriations as necessary.

**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2016-004**

**Noncompliance**

Ohio Rev. 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 to meet 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. The certificate need be signed only by the subdivision's Fiscal Officer. 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 §§ 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.

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. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village had unrecorded encumbrances of \$2,140 in 2015, and there was no evidence the Village followed aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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.

**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2016-004 (Continued)**

**Noncompliance - Ohio Rev. Code § 5705.41(D) (Continued)**

To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer 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.

The Council Members should obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires authorizing disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2016-005**

**Material Weakness**

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 was payable upon demand, but if no demand was made, monthly payments of \$500 were required through May 2013, with a final balloon payment due by June 15, 2013. The payments for this note were made from the Sanitary Sewer Fund from revenues generated by user fees for sanitary sewer service.

The Village was unable to generate sufficient revenues to repay the final balloon payment by June 15, 2013. Therefore, the Village issued a new note on July 12, 2013 for \$92,084 which was used to pay off the Sanitary Sewer Note balance of \$68,825 as well as the balance of the Fire Truck Note of \$22,326. This note was then refinanced on August 4, 2016 and included an additional \$20,000. The proceeds were used to pay for new sewer pumps and for the hauling of them.

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 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.

At June 30, 2017, the Village had a balance of \$19,068 in the General Fund and \$1,631 in the Sewer Fund. Per review of the Sewer Fund activity for 2017, it appears the fund runs in a deficit at the beginning of each month when the monthly sewer bill of \$1,573 is payable to the Village of Rio Grande along with the monthly debt payment of approximately \$898 and then comes back in the positive when sewer payments are posted.

**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2016-005 (Continued)**

**Material Weakness (Continued)**

The Sewer Fund also only pays the principal portion of the debt payment related to the Sanitary Sewer Note balance whereas the General Fund pays both the principal and interest portion of the Note balance and the interest portion of the Sanitary Sewer Note balance which is contributing to the decline of the General Fund balance.

The Village should develop a plan to generate sufficient revenues to pay the General Obligation Note - Sanitary Sewer portion 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 as opposed to a flat rate, or pursuing grant funding.

**FINDING NUMBER 2016-006**

**Material Weakness**

The Village offers sewage services to its residents for a flat rate. Tracking sheets are maintained which indicate the customer name, amount owed and amount paid for that month. The Village did not maintain supporting documents for amounts received or the amounts billed. There were no duplicate receipts or other support for the transactions. A copy of the deposit slips are imaged on the monthly bank statements which list all amounts collected and included the customers' last names, if paid by check. There was no indication that monthly utility receipts were reconciled with the monthly deposits per the bank statements. The Village minutes indicated that delinquent accounts existed, however records to support the delinquent accounts were not found. We also noted that late fees were applied from month to month, however without receipt documentation we could not determine which accounts were assessed the late fees. The customer spreadsheets maintained by the Fiscal Officer did not always indicate the means of payment, cash or check, and the date the amount was paid. Also, customer spreadsheets were not available for July of 2016 nor was the first page of December 2016.

Inadequate supporting documentation eliminates a significant control point, obscures the audit trail and provides for the opportunity for errors, fraud, and irregularities occurring and not being detected by management in a timely manner.

The Village should keep all documentation to support sewer collections, billings and delinquent accounts. The Village should maintain ledgers showing billed amounts, paid amounts, dates paid, and amounts due by customer for each month as well as keep deposit slips and issue duplicate receipts for all amounts paid. The Village should also timely reconcile monthly utility receipts to the amounts deposited into the bank and investigate any variances. The Village should consider using a utility computer software program.

**FINDING NUMBER 2016-007**

**Material Weakness**

Sound financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.



**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2016-007 (Continued)**

**Material Weakness (Continued)**

As a result of the audit procedures performed, the financial statements had the following errors that required audit adjustment or reclassification:

2016:

- Debt payments of \$516 were incorrectly posted in the General Fund as interest instead of \$47 as principal in the General Fund and \$469 as principal in the Sewer Fund.
- Local Government receipt of \$367 was not posted to UAN and should have been posted to Intergovernmental in the General Fund.
- A security of persons and property disbursement of \$135 in the General Fund was marked as clearing the bank but should have been voided. An adjustment to the beginning balance was posted instead reducing security of persons and property disbursements.
- OPERS payment was understated in the amount of \$3 and should have been posted to general government in the General Fund.
  - General government disbursements were understated by \$75 in the General Fund.
- MVR receipt of \$45 was not posted to UAN and should have been posted as intergovernmental in the Street Fund for \$42 and as intergovernmental in the Highway Fund for \$3.
- Debt principal payments were understated in the amount of \$10 and should have been posted to principal disbursement in the Sewer Fund.
- Sewer utility receipts of \$150 were not posted to UAN and should have been included in the Sewer Fund as charges for services.
  - Miscellaneous receipts were overstated by \$240 in the Sewer Debt Service Fund.
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.176 require reporting amounts as assigned when subsequent appropriations exceed estimated receipts. The Township incorrectly reported the assigned portion of the General Fund's cash fund balance as unassigned, in the amount of \$3,960.

2015:

- Post Office Rent receipts of \$758 in the General Fund were incorrectly posted as transfer in instead of miscellaneous receipts.
- Post Office Rent receipts of \$758 were incorrectly posted as charges for services in the Sewer Fund and should have been posted as miscellaneous receipts in the General Fund.
- Intergovernmental receipts in the Street Fund were understated in the amount of \$4.
- Sewer Fund charges for services receipts were overstated in the amount of \$160.

The audited financial statements and the Village's UAN accounting system have been adjusted for the issues noted above.

The Fiscal Officer should refer to the Ohio Administrative Code and/or the Ohio Village Handbook for proper classification and take additional care in posting transactions to the Village's ledgers in order to ensure the Village's year-end financial statements reflect the appropriate sources of the Village's receipts and expenditures. The Village Council should adopt policies and procedures including a final review of the financial statements and notes by the Fiscal Officer and Village Council.

**Officials' Response:** We did not receive a response from Officials to the findings 2016-004 through 2016-007 reported above.

**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2016 AND 2015**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2014-001	Ohio Revised Code §5705.40 – Approved appropriations did not agree to UAN system.	Not corrected	Fiscal Officer will try to make sure the amounts agree in the future.
2014-002	Ohio Revised Code §5705.41(B) – Actual disbursements exceeded appropriations.	Not corrected	Fiscal Officer will monitor expenditures more closely
2014-003	Village should keep support for sewer collections and consider using a utility computer software program.	Not corrected	Fiscal Officer will try to maintain more detail information
2014-004	Management should develop plans to ensure Village can make debt payments.	Not corrected	Village will prepare budget to ensure debt payments are covered
2014-005	Management should monitor Village financial activity and ensure transactions are posted correctly.	Not corrected	More care will entail that amounts are properly posted



# Dave Yost • 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  
AUGUST 29, 2017