

**VILLAGE OF CENTERVILLE
GALLIA COUNTY
Regular Audit
For the Years Ended December 31, 2010 and 2009**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Members of Council
Village of Centerville
56 Broad Street
Box 8
Thurman, Ohio 45685

We have reviewed the *Independent Accountants' Report* of the Village of Centerville, Gallia County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 15, 2011

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**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

November 4, 2011

Village of Centerville
Gallia County
56 Broad Street
Box 8
Thurman, OH 45685

To the Village Council:

We have audited the accompanying financial statements of **Village of Centerville**, Gallia County, Ohio, (the Village) as of and for the years ended December 31, 2010 and 2009. 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.

Except as discussed in paragraph six, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in Note 8, the Village borrowed \$85,000 in 2003 from a financial institution. The debt agreement requires the debt to be payable upon demand, but if no demand is made the Village is required to make monthly payments of \$500, with a final balloon payment of \$71,651 due in June 2013. The Village intends to repay this debt from sewer utility charges. As of December 2010, the Village's Enterprise Fund had a negative cash balance of \$4,002. Note 8 also describes the Village's management plan to repay this debt.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 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, 2010 and 2009, or its changes in financial position or cash flows, where applicable for the years then ended.

The Village did not provide adequate supporting documentation for sanitary sewer system receipts to enable us to determine the completeness, occurrence, allocation, and rights and obligations of sewer system receipts recorded in the Enterprise Fund, a Proprietary Fund Type, in the financial statements in 2010 and 2009, nor were we able to satisfy ourselves as to those receipts through the use of alternative procedures. These sewer system revenues represent 100 percent of revenues of the Proprietary Fund Type for the years ended December 31, 2010 and 2009.

Also, in our opinion, except for the matter discussed in the first preceding paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Centerville, Gallia County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

Village of Centerville
Gallia County
Independent Accountants' Report
Page 3

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2011 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,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

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, 2010**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$ 56	\$ -	\$ 56
Intergovernmental	60,120	3,226	63,346
Charges for Services	4,616	-	4,616
Fines, Licenses and Permits	241	-	241
Miscellaneous	11,229	-	11,229
Total Cash Receipts	<u>76,262</u>	<u>3,226</u>	<u>79,488</u>
Cash Disbursements:			
Current:			
Security of Persons & Property	22,436	-	22,436
Community Environment	8,250	-	8,250
Transportation	-	1,917	1,917
General Government	43,725	-	43,725
Debt Service:			
Redemption of Principal	4,199	-	4,199
Interest and Fiscal Charges	1,215	-	1,215
Total Cash Disbursements	<u>79,825</u>	<u>1,917</u>	<u>81,742</u>
Total Cash Receipts Over/(Under) Disbursements	<u>(3,563)</u>	<u>1,309</u>	<u>(2,254)</u>
Fund Cash Balances, January 1	<u>2,138</u>	<u>13,177</u>	<u>15,315</u>
Fund Cash Balances, December 31	<u>\$ (1,425)</u>	<u>\$ 14,486</u>	<u>\$ 13,061</u>
Reserve for Encumbrances, December 31	<u>\$ 4,714</u>	<u>\$ 11</u>	<u>\$ 4,725</u>

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

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 33,181
Total Operating Cash Receipts	33,181
Operating Cash Disbursements:	
Personal Services	1,196
Fringe Benefits	181
Transportation	-
Contractual Services	17,351
Supplies and Materials	7,819
Total Operating Cash Disbursements	26,547
Operating Income (Loss)	6,634
Non-Operating Cash Disbursements:	
Debt Service:	
Redemption of Principal	(2,629)
Interest and Fiscal Charges	(4,126)
Total Nonoperating Cash Disbursements	(6,755)
Net Receipts Over/(Under) Cash Disbursements	(121)
Fund Cash Balances, January 1	(3,881)
Fund Cash Balances, December 31	\$ (4,002)
Reserve for Encumbrances, December 31	\$ 188

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, 2009**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$ 167	\$ -	\$ 167
Intergovernmental	69,720	3,047	72,767
Charges for Services	8,026	-	8,026
Fines, Licenses and Permits	122	-	122
Miscellaneous	11,765	-	11,765
	<u>89,800</u>	<u>3,047</u>	<u>92,847</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons & Property	34,778	-	34,778
Transportation	-	138	138
General Government	51,428	-	51,428
Debt Service:			
Redemption of Principal	3,410	-	3,410
Interest and Fiscal Charges	2,004	-	2,004
	<u>91,620</u>	<u>138</u>	<u>91,758</u>
Total Cash Disbursements			
Total Cash Receipts Over Disbursements	<u>(1,820)</u>	<u>2,909</u>	<u>1,089</u>
Other Financing Receipts/(Disbursements)			
Sale of Fixed Assets	5,000	-	5,000
Advances-Out	<u>(3,000)</u>	<u>-</u>	<u>(3,000)</u>
Total Other Financing Receipts/(Disbursements)	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	<u>180</u>	<u>2,909</u>	<u>3,089</u>
Fund Cash Balances, January 1	<u>1,958</u>	<u>10,268</u>	<u>12,226</u>
Fund Cash Balances, December 31	<u>\$ 2,138</u>	<u>\$ 13,177</u>	<u>\$ 15,315</u>
Reserve for Encumbrances, December 31	<u>\$ 4,567</u>	<u>\$ 11</u>	<u>\$ 4,578</u>

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

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 25,337
Total Operating Cash Receipts	25,337
Operating Cash Disbursements:	
Personal Services	1,196
Fringe Benefits	179
Contractual Services	18,590
Supplies and Materials	555
Total Operating Cash Disbursements	20,520
Operating Income (Loss)	4,817
Non-Operating Cash Disbursements:	
Debt Service:	
Redemption of Principal	(4,001)
Interest and Fiscal Charges	(4,265)
Total Nonoperating Cash Disbursements	(8,266)
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Advances	(3,449)
Advances-In	3,000
Net Receipts Over/(Under) Cash Disbursements	(449)
Fund Cash Balances, January 1	(3,432)
Fund Cash Balances, December 31	\$ (3,881)
Reserve for Encumbrances, December 31	\$ 183

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

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Centerville, Gallia County (the Village), as a body corporate and politic. A publicly elected six-member Council governs the Village. The Village provides maintenance of roads, street lighting, and fire protection and sewer utilities. The Village also contracts with the Gallia County Sheriff's Office to provide police protection.

The Village participates in the Public Entities Pool of Ohio public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local Villages. PEP provides property and casualty coverage for its members.

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 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. Deposits

The Village maintains an interest bearing checking account.

D. 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 reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

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

3. Enterprise Funds

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

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

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 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 unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over and need not be reappropriated.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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 DEPOSITS

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

	2010	2009
Demand deposits	\$ 9,059	\$ 11,434

Deposits: are insured by the Federal Deposit Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 80,087	\$ 76,262	\$ (3,825)
Special Revenue	2,700	3,226	526
Enterprise	26,208	33,181	6,973
Total	\$ 108,995	\$ 112,669	\$ 3,674

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 73,000	\$ 84,539	\$ (11,539)
Special Revenue	10,900	1,928	8,972
Enterprise	26,000	33,490	(7,490)
Total	\$ 109,900	\$ 119,957	\$ (10,057)

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$83,350	\$94,800	\$11,450
Special Revenue	2,700	3,047	347
Enterprise	26,208	25,337	(871)
Total	\$112,258	\$123,184	\$10,926

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$83,000	\$96,187	(\$13,187)
Special Revenue	4,900	149	4,751
Enterprise	26,000	28,969	(2,969)
Total	\$113,900	\$125,305	(\$11,405)

4. PROPERTY TAX

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

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

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

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009
(Continued)**

5. DEBT

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
Sanitary Sewer Loan – General Obligation Loan	\$ 73,702	5.50%
Ohio Public Works Commission Loan	17,376	0.00%
Fire Truck Loan– General Obligation Loan	32,195	5.25%
Total	\$ 123,273	

- The Prior Audit Report misstated the outstanding debt amount as of December 31, 2008. This amount should have been reported as \$137,512.

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

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

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

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

Year ending December 31:	Sanitary Sewer Loan	OPWC Loan	Fire Truck Loan	Total
2011	\$ 6,000	\$ 1,511	\$ 5,414	\$ 12,925
2012	6,000	1,511	5,414	12,925
2013	61,702	1,511	5,414	68,627
2014	-	1,511	5,414	6,925
2015	-	1,511	5,414	6,925
Thereafter	-	9,821	5,125	14,946
Total	\$ 73,702	\$ 17,376	\$ 32,195	\$ 123,273

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009**

((Continued))

6. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2010 and 2009, members of PERS contributed 10% of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

7. RISK MANAGEMENT

Risk Pool 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. American Risk Pooling Consultants, Inc. (ARPCO), a division of 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 ARPCO. 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, 2010, PEP retained \$350,000 for casualty claims and \$150,000 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.

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009
(Continued)**

7. RISK MANAGEMENT (CONTINUED)

Risk Pool Management (Continued)

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$34,952,010	\$36,374,898
Liabilities	(14,320,812)	(15,256,862)
Net Assets	<u>\$20,631,198</u>	<u>\$21,118,036</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 million and \$14.1 million of estimated incurred claims payable. The assets above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Village's share of these unpaid claims collectible in future years is approximately \$8,000.

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.

<u>Contributions to PEP</u>	
<u>2010</u>	<u>2009</u>
\$8,667	\$9,756

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.

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009
(Continued)**

8. SANITARY SEWER NOTE RETIREMENT

The Village obtained an \$85,000 Sanitary Sewer general obligation note in June 2003, which was used to retire the \$70,000 Sanitary Sewer General Obligation Note with the balance being used for repairs to the Sanitary Sewer System through customer usage charges. Customer charges are not sufficient to generate the funds required to make the final payment due prior to June 15, 2013. Council intends to continually refinance the balloon payment amount until the obligation can be reduced to an amount small enough that it can be repaid in its entirety.

9. GOING CONCERN

The Village expenses have exceeded revenues for the years of 2005, 2006, 2007, 2008, 2009 and 2010 in the Sanitary Sewer Fund and for 2010 in the General Fund. The Sanitary Sewer Fund and the General Fund continue to reflect a deficit fund balance through the end of 2010.

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 either by statute or by levy ballot language and therefore, the Village is not permitted to use these monies to remedy the deficit balances.

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

The Auditor of State has various remedies available to it, the most severe of which include placing the Village on fiscal watch or fiscal emergency. The Village does not know if such action will be taken. The Village has however, contracted the AOS's Local Government Services to assist in implementing procedures for the Sanitary Sewer Fund to operate efficiently.

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

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

November 4, 2011

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

To the Village Council:

We have audited the financial statements of the **Village of Centerville**, Gallia County (the Village) as of and for the years ended December 31, 2010 and 2009, which collectively comprise the Village's basic financial statements and have issued our report thereon dated November 4, 2011 wherein we qualified our opinion because we were unable to satisfy ourselves to the completeness, occurrence, allocation, and rights and obligations of the sanitary sewer fund charges for services receipts. Also, we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles. Except as discussed above, 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of audit findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and other deficiencies we consider to be significant deficiencies.

Internal Control Over Financial Reporting (Continued)

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-001 through 2010-006 described in the accompanying schedule of audit findings to be material weaknesses. 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. We consider findings 2010-007 through 2010-013 described in the accompanying schedule of audit findings to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed two instances of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as items 2010-003 and 2010-004.

We intend this report solely for the information and use of management, Village Council, and others within the Village. We intend it for no one other than these specified parties.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

VILLAGE OF CENTERVILLE
GALLIA COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2010 and 2009

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

FINDING NUMBER 2010-001

Material Weakness

Posting Receipts

Receipts should be posted to the fund and line item accounts as established by Ohio Administrative Code.

During 2010 and 2009, several receipts were not posted to accurate classifications based on the source of the receipt. The following posting errors were noted:

- Intergovernmental revenue was recorded as property tax in 2010 and 2009.
- The Village incorrectly recorded Sales of Fixed Assets as Other Financing Sources in 2009.

These errors caused numerous reclassification entries for 2010 and 2009. The accompanying financial statements reflect all adjustments and reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management review revenue items. Such review should include procedures to ensure that all sources of revenues are properly identified and classified on the financial statements. Management should review the bank reconciliations monthly to make sure all transactions are being recorded and no unexplained differences or long outstanding items exist.

We recommend the Fiscal Officer refer to Ohio Administrative Code and/or the Ohio Village Handbook for guidance to determine the proper establishment of receipt accounts and posting of receipts.

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

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2010 and 2009**

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

FINDING NUMBER 2010-002

Material Weakness

Advances

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

To alleviate short-term cash flow problems, the Village advanced monies between the General, Street Construction Maintenance & Repair and Sanitary Sewer Funds. The Village did not repay the advances.

The advance during 2010 from the Street Construction and Maintenance Fund to the General Fund was determined to be illegal. An adjustment was proposed and agreed to by the Village to return this advance. The accompanying financial statements reflect this adjustment.

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

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

FINDING NUMBER 2010-003

Noncompliance Citation/Material Weakness

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

The Village had a negative fund balances at December 31, 2010 as follows:

<u>Fund</u>	<u>2010</u>
Sanitary Sewer	(4,002)
General	(1,425)

We recommend the Village monitor their fund balances and that expenditures and income be watched closer by the Fiscal Officer and Council to prevent the Sanitary Sewer Fund and General Fund from going into the negative.

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

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2010 and 2009**

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

FINDING NUMBER 2010-004

Noncompliance Citation/Material Weakness

Ohio Revised Code Section 149.351(A) establishes guidelines against the destruction or damage of records. All records are the property of the public office and shall not be mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law.

For the audit period the following documentation was not provided by the Village:

- Sewer Receipts/Billing – no supporting documentation to indicate amounts charged and paid by account holders. During this period, only partial billing registers were able to be provided for audit.

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

We recommend the Village keep all documentation to support sewer receipts.

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

FINDING NUMBER 2010-005

Material Weakness

Debt

In 2003 the Village refinanced a \$ 70,000 general obligation note and borrowed an additional \$15,000. The proceeds of the \$85,000 were used to pay off the \$70,000 note, and the balance was used to repair the pump in the sanitary sewer system. The note is payable upon demand, but if no demand is made, monthly payments of \$500 are required through May 2013, with a final balloon payment due by June 15, 2013. The payments for this note are made from the sanitary sewer fund, from revenues generated by user fees for sanitary sewer service. The Village currently generates approximately \$2,000 per month in user fees, with over \$1,000 per month being payable to the Village of Rio Grande for operating the sewer plant. The remaining \$1,000 per month is used to maintain the sewer system as well as pay the required \$500 monthly loan payment. At this rate, the Village will be unable to generate sufficient revenues to repay the final balloon payment by June 15, 2013. The Village Council intends to refinance the balloon portion of the note when due, however, if the Village is unable to successfully refinance the balloon portion or obtain other means of repayment, the Village will be considered to be in default on this loan.

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2010 and 2009**

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

FINDING NUMBER 2010-005 (Continued)

Material Weakness (Continued)

Debt (Continued)

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

We recommend the Village Council develop a plan to generate sufficient revenues to pay the general obligation note and maintain a reserve balance in the event the sanitary sewer system is in need of substantial repairs. Potential solutions for generating additional revenue include but are not limited to levying a new tax, implementing a user based fee opposed to a flat rate, or pursuing grant funding.

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

FINDING NUMBER 2010-006

Material Weakness

Bank Reconciliations

The Fiscal Officer did not prepare accurate monthly reconciliations of bank balances to book balances. Outstanding checks, deposits in transit and other reconciling items were not detailed to enable a proper reconciliation to be performed. The lack of proper reconciliations among the bank statements, cashbook and ledgers resulted in numerous errors which remained undetected and/or uncorrected until the audit. We recommend the Fiscal Officer prepare detailed bank reconciliations that include all bank account balances being reconciled to total fund balances. Copies of bank reconciliations should be presented to the Village Council for the Council's review and use in managing the Village. The Fiscal Officer should reconcile activity entered in the receipts ledger and appropriations ledger to the cashbook.

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

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2010 and 2009**

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

FINDING NUMBER 2010-007

Significant Deficiency

Management Monitoring for Internal Control

The Village Council has not established effective internal control processes for monitoring of Village financial activity. Examples of deficiencies in monitoring controls include the following;

- Checks were signed by only one signatory
- Monthly Bank Reconciliations with supporting documentation were not presented to council
- Finance and payroll reports were not presented to Council
- Old outstanding checks were not voided in system
- Receipts were entered into UAN without detail in the purpose column

We recommend Council establish effective internal control processes and address each of the above noted control weaknesses. This could include such things as receiving a monthly report package (budget vs. actual reports as well as revenue and expense reports), reviewing the monthly bank reconciliation and support, having a set time for reviewing and issuing payroll and non-payroll disbursements, setting a timeline for old outstanding checks to be voided from the system, utilizing the purpose column in UAN when entering a receipt, and requiring two signatures on all checks. This will help Council effectively monitor the Village's financial position and will aid in the timely detection of errors or irregularities.

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

FINDING NUMBER 2010-008

Significant Deficiency

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

During 2010, total appropriations exceeded total estimated resources in several funds.

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

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

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2010 and 2009**

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

FINDING NUMBER 2010-009

Significant Deficiency

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

Actual expenditures exceeded appropriations in 2010 and 2009 in the General and Sanitary Sewer Funds. Also, the Sanitary Sewer Fund and General Fund had outstanding encumbrances greater than fund balances at year end in both 2010 and 2009.

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

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

FINDING NUMBER 2010-010

Significant Deficiency

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.

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2010 and 2009**

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

FINDING NUMBER 2010-010 (Continued)

Significant Deficiency (Continued)

Ohio Revised Code 5705.41(D) (Continued)

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

The Village did not properly certify the availability of funds prior to purchase commitment for 17% of the expenditures tested during 2010 and 20% of the expenditures tested during 2009 and 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 AUDIT FINDINGS
DECEMBER 31, 2010 and 2009**

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

FINDING NUMBER 2010-011

Significant Deficiency

Posting Estimated Resources and Appropriations

The Village did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by the Village Council and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system.

This resulted in incorrect amounts posted to the accounting system and information available to Village officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate.

We recommend the Village implement procedures to ensure appropriations and estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission after each amendment.

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

FINDING NUMBER 2010-012

Significant Deficiency

Complete Voucher Packages

The completed voucher packages should be the basis for the preparation of checks. The package should include the voucher signed by the appropriate officials to document their approval, the original invoice approved by the receiving employee or official to document the receipt of the goods or services and the accuracy of the quantity and price, and a copy of the requisition or purchase order to document the fiscal officer's prior certification that sufficient appropriations and resources were available to meet the obligation.

The Village did not always present complete voucher packages to support expenditures. This practice and lack of adequate supporting documentation could result in loss of Village funds or personal liability of the Village's Officials. We were able to gain assurances these disbursements were made for a proper public purpose through alternative procedures.

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2010 and 2009**

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

FINDING NUMBER 2010-012 (Continued)

Significant Deficiency (Continued)

Complete Voucher Packages (Continued)

We recommend that all expenditures be supported by complete voucher packages, including the voucher signed by the appropriate officials to document their approval, the original invoice approved by the receiving employee or official to document the receipt of goods or services and the accuracy of the quantity and price, a copy of the requisition or purchase order to document the Fiscal Officer's prior certification, to help insure that all Village expenditures are for goods or services received, properly approved, and for a proper public purpose.

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

FINDING NUMBER 2010-013

Significant Deficiency

Purchase Order Maintenance

An open purchase order list was not maintained, nor was the status of purchase orders tracked periodically.

With lack of a periodic review of outstanding purchase orders could lead to improper controls over the expenditure process. Funds that could be available for expenditure would be encumbered and unavailable, which could impact decision making processes for current and future projects.

The Village had year-end encumbrances exceeding the year-end fund balance in the General Fund and the Sewer Operating Fund, for both 2010 and 2009.

We recommend that the Fiscal Officer should periodically generate an Outstanding Purchase Order List and subsequently review the list with the Council members.

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, 2010 and 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Posting Receipts and Expenditures.	No	Repeat as finding 2010-001
2008-002	Debt – Insufficient funds being generated to repay balloon payment in 2013.	No	Repeat as finding 2010-005
2008-003	Advances – The Village illegally made advances between funds and did not repay.	No	Repeat as finding 2010-002
2008-004	ORC 5705.39 – Appropriations exceeded total estimated resources.	No	Repeat as finding 2010-008
2008-005	ORC 5705.41(B) – Expenditures exceeded appropriations.	No	Repeat as finding 2010-009
2008-006	ORC 5705.10 – Negative fund balance.	No	Repeat as finding 2010-003

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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
DECEMBER 27, 2011