



Dave Yost • Auditor of State

VILLAGE OF CENTERVILLE
GALLIA COUNTY

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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 and related notes of the Village of Centerville, Gallia County, Ohio (the Village), as of and for the years ended December 31, 2014 and 2013.

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 opinion.

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

As described in Note 1 of the 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, 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, 2013 and 2012, 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, 2014 and 2013, 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 1.

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 September 10, 2015. 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 October 6, 2015, 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 "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

October 6, 2015

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**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$103	\$0	\$103
Intergovernmental	43,750	4,146	47,896
Charges for Services	16,808	0	16,808
Fines, Licenses and Permits	10	0	10
Miscellaneous	4,096	0	4,096
<i>Total Cash Receipts</i>	<u>64,767</u>	<u>4,146</u>	<u>68,913</u>
Cash Disbursements			
Current:			
Security of Persons and Property	11,560	0	11,560
Transportation	0	234	234
General Government	42,729	0	42,729
Debt Service:			
Principal Retirement	2,004	0	2,004
Interest and Fiscal Charges	2,807	0	2,807
<i>Total Cash Disbursements</i>	<u>59,100</u>	<u>234</u>	<u>59,334</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>5,667</u>	<u>3,912</u>	<u>9,579</u>
Other Financing Receipts (Disbursements)			
Transfers In	2,489	0	2,489
Transfers Out	0	(7,088)	(7,088)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>2,489</u>	<u>(7,088)</u>	<u>(4,599)</u>
<i>Net Change in Fund Cash Balances</i>	8,156	(3,176)	4,980
<i>Fund Cash Balances, January 1</i>	<u>5,685</u>	<u>19,183</u>	<u>24,868</u>
Fund Cash Balances, December 31			
Restricted	0	16,007	16,007
Unassigned (Deficit)	13,841	0	13,841
<i>Fund Cash Balances, December 31</i>	<u>\$13,841</u>	<u>\$16,007</u>	<u>\$29,848</u>

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

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$30,609
<i>Total Operating Cash Receipts</i>	30,609
Operating Cash Disbursements	
Personal Services	1,190
Employee Fringe Benefits	171
Contractual Services	21,635
Supplies and Materials	2,147
<i>Total Operating Cash Disbursements</i>	25,143
<i>Operating Income (Loss)</i>	5,466
Non-Operating Receipts (Disbursements)	
Principal Retirement	(8,500)
<i>Total Non-Operating Receipts (Disbursements)</i>	(8,500)
<i>Income (Loss) before Transfers</i>	(3,034)
Transfers In	4,599
<i>Net Change in Fund Cash Balances</i>	1,565
<i>Fund Cash Balance, January 1</i>	(977)
<i>Fund Cash Balance, December 31</i>	\$588

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

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$84	\$0	\$84
Intergovernmental	53,334	12,042	65,376
Charges for Services	15,345	0	15,345
Fines, Licenses and Permits	9	0	9
Miscellaneous	13,046	0	13,046
<i>Total Cash Receipts</i>	<u>81,818</u>	<u>12,042</u>	<u>93,860</u>
Cash Disbursements			
Current:			
Security of Persons and Property	23,889	0	23,889
Transportation	0	2,644	2,644
General Government	58,741	0	58,741
Debt Service:			
Principal Retirement	25,727	0	25,727
Interest and Fiscal Charges	1,978	0	1,978
<i>Total Cash Disbursements</i>	<u>110,335</u>	<u>2,644</u>	<u>112,979</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(28,517)</u>	<u>9,398</u>	<u>(19,119)</u>
Other Financing Receipts (Disbursements)			
Proceeds of Debts	22,417	0	22,417
Transfers In	1,127	3,089	4,216
Transfers Out	(1,589)	(5,628)	(7,217)
Other Financing Sources	170	0	170
<i>Total Other Financing Receipts (Disbursements)</i>	<u>22,125</u>	<u>(2,539)</u>	<u>19,586</u>
<i>Net Change in Fund Cash Balances</i>	(6,392)	6,859	467
<i>Fund Cash Balances, January 1</i>	<u>12,077</u>	<u>12,324</u>	<u>24,401</u>
Fund Cash Balances, December 31			
Restricted	0	19,183	19,183
Unassigned (Deficit)	<u>5,685</u>	<u>0</u>	<u>5,685</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$5,685</u></u>	<u><u>\$19,183</u></u>	<u><u>\$24,868</u></u>

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

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$32,741
<i>Total Operating Cash Receipts</i>	32,741
Operating Cash Disbursements	
Personal Services	1,190
Employee Fringe Benefits	171
Contractual Services	18,842
Supplies and Materials	3,265
<i>Total Operating Cash Disbursements</i>	23,468
<i>Operating Income (Loss)</i>	9,273
Non-Operating Receipts (Disbursements)	
Other Debt Proceeds	69,668
Principal Retirement	(72,679)
Interest and Other Fiscal Charges	(2,763)
<i>Total Non-Operating Receipts (Disbursements)</i>	(5,774)
<i>Income (Loss) before Transfers</i>	3,499
Transfers In	3,000
<i>Net Change in Fund Cash Balances</i>	6,499
<i>Fund Cash Balance, January 1</i>	(7,476)
<i>Fund Cash Balance, December 31</i>	(\$977)

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

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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 provides 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

During the period the Village maintained an 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. 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.

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

3. Enterprise Funds

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

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five 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. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

VILLAGE OF CENTERVILLE
GALLIA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

2. 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.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. 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.

5. 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:

	2014	2013
Demand deposits	\$30,436	\$23,891

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

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$59,034	\$67,256	\$8,222
Special Revenue	2,700	4,146	1,446
Enterprise	32,400	35,208	2,808
Total	\$94,134	\$106,610	\$12,476

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$58,000	\$59,100	(\$1,100)
Special Revenue	14,788	7,322	7,466
Enterprise	25,000	33,643	(8,643)
Total	\$97,788	\$100,065	(\$2,277)

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$56,076	\$105,532	\$49,456
Special Revenue	15,416	15,131	(285)
Enterprise	35,293	105,409	70,116
Total	\$106,785	\$226,072	\$119,287

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$51,000	\$111,924	(\$60,924)
Special Revenue	7,700	8,272	(572)
Enterprise	24,073	98,910	(74,837)
Total	\$82,773	\$219,106	(\$136,333)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$1,100, and in the Sewer Fund by \$8,643 for the year ended December 31, 2014 and in the General Fund by \$60,925, FEMA Fund by \$5,628 and in the Sewer Fund by \$74,837 for the year ended December 31, 2013. Also, contrary to Ohio law, at December 31, 2013, the Sanitary Sewer fund had a cash deficit balance of \$977.

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

4. Property Tax

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.

5. Debt

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
Fire Truck/Sewer Loan refinance	\$80,812	3.25%
Ohio Publis Works Loan #CT41B	10,577	0.00%
Ohio Public Works Loan #CU04P	4,132	0.00%
Total	\$95,521	

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 ten years.

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

Year ending December 31:	OPWC Loan #CU04P	OPWC Loan # CT41B	Obligation Loan
2015	\$73	\$756	\$10,823
2016	148	1,511	10,823
2017	148	1,511	10,823
2018	148	1,511	10,823
2019	148	1,511	10,823
2020-2024	738	3,777	38,782
2025-2029	737		
2030-2034	738		
2035-2039	737		
2040-2043	517		
Total	\$4,132	\$10,577	\$92,897

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.

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

6. Retirement System (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 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, 2014.

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. 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, 2014, 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 accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2013 and 2014.

	<u>2013</u>	<u>2014</u>
Assets	\$34,411,883	\$35,402,177
Liabilities	(12,760,194)	(12,363,257)
Net Position	<u>\$21,651,689</u>	<u>\$23,038,920</u>

At December 31, 2013 and 2014, respectively, the liabilities above include approximately 11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$10.8 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Village's share of these unpaid claims collectible in future years is approximately \$7,000.

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. Risk Management (Continued)

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>2013</u>	<u>2014</u>
\$9,486	\$9,869

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.

8. 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 through the end of 2013 and only reflected a positive balance at the end of 2014 due to a transfer in of \$4,599 during 2014. 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.

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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 Village of Centerville, Gallia County, Ohio (the Village), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated October 6, 2015, wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 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. We consider findings 2014-003 through 2014-005 described in the accompanying Schedule of Findings 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 2014-001 and 2014-002.

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.

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

Dave Yost
Auditor of State
Columbus, Ohio

October 6, 2015

**VILLAGE OF CENTERVILLE
GALLIA COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-001

Noncompliance

Ohio Rev. Code § 5705.40 states, in part, that a subdivision may amend or supplement its appropriation measure provided the entity complies with the same provisions of law as are used in making the original appropriation. In addition, Ohio courts have held that a board or officer whose judgment and discretion is required, was chosen because they were deemed fit and competent to exercise that judgment and discretion and unless power to substitute another in their place has been given, such board or officer cannot delegate these duties to another. Following such reasoning, a Village would be prohibited from delegating duties statutorily assigned to it, such as the duty of amending appropriations. See C.B. Transportation, Inc. v. Butler County Board of Mental Retardation, 60 Ohio Misc. 71, 397 N.E.2d 781 (C.P. 1979); and, Burkholder v. Lauber, 6 Ohio Misc. 152, 216 N.E.2d (C.P. 1965).

The Village Council approved the original appropriation measure but did not approve any amendments. However, the approved appropriations did not agree to the UAN system, indicating amendments were posted. The variance between approved appropriations and UAN was as follows:

For the year ended December 31, 2014:

<u>Fund</u>	<u>Approved Appropriations</u>	<u>UAN Appropriations</u>	<u>Variance</u>
General Fund	\$ 58,000	\$ 68,510	\$ (10,510)
Sewer Fund	25,000	34,277	(9,277)

For the year ended December 31, 2013:

<u>Fund</u>	<u>Approved Appropriations</u>	<u>UAN Appropriations</u>	<u>Variance</u>
General Fund	\$ 51,000	\$ 100,785	\$ (49,785)
FEMA Fund	0	12,716	(12,716)
Sewer Fund	24,073	33,660	(9,587)

The Village Council should approve all appropriation amendments, record approval in the Council minutes, and file all appropriation amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. The Fiscal Officer should only post legislatively approved amendments.

FINDING NUMBER 2014-002

Noncompliance

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

During 2014 actual expenditures exceeded appropriations as follows:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Variance</u>
General Fund	\$ 59,100	\$ 58,000	\$ (1,100)
Sewer Fund	33,643	25,000	(8,643)

**VILLAGE OF CENTERVILLE
GALLIA COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-002 (Continued)

Noncompliance (Continued)

During 2013 actual expenditures exceeded appropriations as follows:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Variance</u>
General Fund	\$ 111,925	\$ 51,000	\$ (60,925)
FEMA Fund	5,628	0	(5,628)
Sewer Fund	98,910	24,073	(74,837)

The practice of allowing expenditures to exceed appropriations could result in negative fund balances for the Village.

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

FINDING NUMBER 2014-003

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 the month. The Village did not maintain supporting documents for amounts received or the amounts billed. Beginning in July 2013, a copy of the deposit slips were imaged on the monthly bank statement. These images listed all amounts collected and included a customer check number, if paid by check. The 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.

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.

The Village should keep all documentation to support sewer collections and delinquent accounts. The Village should keep ledgers showing billed amounts, paid amounts, dates paid and amounts due by customer for each month as well as keep deposit slips and a receipts ledger for all amounts paid.

FINDING NUMBER 2014-004

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.

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-004 (Continued)

Material Weakness (Continued)

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.

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 August 31, 2015, the Village had a balance of \$5,775 in the General Fund and \$1,461 in the Sewer Fund. At September 10, 2015, the Sewer Fund balance was down to a deficit balance of (\$857). Per review of the Sewer Fund activity for 2015, it appeared the fund ran in a deficit at the beginning of each month when the monthly sewer bill of \$1,538 is payable to the Village of Rio Grande, along with the monthly debt payment of approximately \$500 and then comes back in the positive when sewer payments are posted. 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 Fire Truck 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 2014-005

Material Weakness

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

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

For the year ended December 31, 2014:

- Charges for services receipts of \$10,612 were incorrectly posted as miscellaneous receipts in the General Fund.

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-005 (Continued)

Material Weakness (Continued)

For the year ended December 31, 2013:

- Charges for services receipts of \$9,096 were incorrectly posted as miscellaneous receipts in the amount of \$2,274 and other financing sources in the amount of \$6,822 in the General Fund.
- Debt payments were reclassified in the General Fund to reduce principal retirement and increase interest and fiscal charges by \$252 and in the Sanitary Sewer Fund to reduce interest and fiscal charges and increase principal retirement by \$171.
- A loan was issued to pay off the Fire Truck Note and Sanitary Sewer Note but was not recorded. In the General Fund, proceeds of debt of \$22,417 was posted to record the new loan, along with principal retirement of \$22,326 and interest and fiscal charges of \$91 to record the pay-off of the Fire Truck Note. In the Sewer Fund, \$69,668 of debt proceeds were posted to record the new loan, along with principal retirement of \$68,825 and interest and fiscal charges of \$843 to record the pay-off of the Sanitary Sewer Note.

The audited financial statements 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 reported above.

**VILLAGE OF CENTERVILLE
GALLIA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Ohio Rev. Code §5705.10 - Money paid into a fund must be used only for those purposes.	No	Partially Corrected. See comment in separate letter issued to management.
2012-002	Ohio Rev. Code § 5705.41(B) – Actual disbursements exceeded appropriations.	No	Not Corrected. Reissued as Finding Number 2014-002 in the accompanying Schedule of Findings.
2012-003	Ohio Rev. Code § 5705.41(D) (1) prohibits entity from making any contract unless certified by fiscal officer.	Yes	
2012-004	Village should keep support for sewer collections.	No	Not Corrected. Reissued as Finding Number 2014-003 in the accompanying Schedule of Findings.
2012-005	Management should develop plans to ensure Village can make debt payment.	No	Not Corrected. Reissued as Finding Number 2014-004 in the accompanying Schedule of Findings.
2012-006	Management should monitor Village financial activity.	Yes	
2012-007	Fiscal officer should prepare accurate monthly reconciliations.	Yes	
2012-008	Receipts and Expenditures should be posted correctly.	No	Not Corrected. Reissued as Finding Number 2014-005 in the accompanying Schedule of Findings.

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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
OCTOBER 20, 2015**