



Dave Yost • Auditor of State



VILLAGE OF CENTERBURG  
KNOX COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Centerburg  
Knox County  
49 ½ East Main Street  
Centerburg, Ohio 43011

To the Village Council:

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Centerburg, Knox County, Ohio (the Village), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities,, each major fund, and the aggregate remaining fund information of the Village of Centerburg, Knox County, Ohio, as of December 31, 2012, and the respective changes in cash financial position and the respective budgetary comparison for the General, Street Construction, Maintenance, and Repair, and the Police Levy Funds, thereof for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Supplemental and Other Information*

We applied no procedures to the Management's Discussion & Analysis presented on pages 3-10 of the report, and accordingly, we express no opinion or any other assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 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.



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

April 30, 2015

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED**

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This discussion and analysis of the Village of Centerburg's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2012, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

**Highlights**

Key highlights for 2012 are as follows:

The Village of Centerburg formed Centerburg Township in 2011 and as a result, received additional tax revenues in 2012.

The net position for the Village of Centerburg increased \$67,700 or 6 percent.

Fund balance of governmental activities increased \$9,831 or 2 percent from the prior year. The Village has three major governmental funds: General, Street Maintenance, Construction and Repair, and Police Levy. The General Fund increased by \$13,985, primarily due to increased tax revenues. The Street Construction, Maintenance, and Repair Fund balance decreased by \$6,752, primarily due to increased costs. The Police Levy Fund balance increased by \$13,921, due to increased tax revenues.

The Village has three major Enterprise Funds: Water, Sewer, and Enterprise Improvement. The Water Fund balance increased by \$27,674, due to a full year's collection of the rate increase that went into effect May 1, 2011, and five water taps. The Sewer Fund balance increased by \$26,930, primarily due to a rate increase and five sewer taps. The Village continues to explore funding options for the anticipated six million dollar debt to construct the Water Reclamation Facility, and has applied for a 0% interest loan through the EPA.

The Village's general receipts are primarily property and income taxes. These receipts represent respectively 25 and 53 percent of the total cash received for governmental activities during the year

Council welcomed three new members in 2012.

The Village added a direct payroll deposit option for employees and an electronic bill pay option for utility customers in 2012.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's modified cash basis of accounting.

**Report Components**

The statement of net position and the statement of activities provide information about the cash activities of the Government as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED**

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The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Government as a Whole**

The statement of net position and the statement of activities reflect how the Village did financially during 2012, within the limitations of the cash basis accounting. The statement of net position presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net position and the statement of activities, we divide the Village into two types of activities:

**Governmental activities:** Most of the Village's basic services are reported here, including street maintenance and police. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Business-type activity:** The Village has two business-type activities, the provision of water and sewer. Business-type activities are financed by a fee charged to the customers receiving the service.

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED**

**Reporting the Village's Most Significant Funds**

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and proprietary.

**Governmental Funds** - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, Street Construction, Maintenance, and Repair Fund, and Police Levy Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

**Proprietary Funds** – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has three major enterprise funds, the Water Fund, Sewer Fund, and Enterprise Improvement Fund. The Enterprise Improvement Fund accounts for activity of the Planning and Development Loan for the Water Reclamation Facility project. These major funds are presented on the financial statements in separate columns. The non-major funds (funds whose activity are not large enough to warrant separate reporting) are presented in a single column.

**The Government as a Whole**

Table 1 provides a summary of the Village's net position for 2012 compared to 2011 on a cash basis:

Table 1  
Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Assets</b>						
Cash & Cash Equivalents	\$436,310	\$426,479	\$804,890	\$747,021	\$1,241,200	\$1,173,500
Total Assets	<u>\$436,310</u>	<u>\$426,479</u>	<u>\$804,890</u>	<u>\$747,021</u>	<u>\$1,241,200</u>	<u>\$1,173,500</u>
<b>Net Position</b>						
Restricted for:						
Capital Outlay	\$ 52	\$ 52	\$ -	\$ -	\$ 52	\$ 52
Other Purposes	47,075	48,815	\$ -	\$ -	47,075	48,815
Unrestricted	389,183	377,612	\$804,890	747,021	1,194,073	1,124,633
Total Net Position	<u>\$436,310</u>	<u>\$426,479</u>	<u>\$804,890</u>	<u>\$747,021</u>	<u>\$ 1,241,200</u>	<u>\$1,173,500</u>

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED**

As mentioned previously, net position of governmental activities increased \$9,831 or 2 percent during 2012. The primary reason contributing to the increase in cash balances was increased tax revenue.

Table 2 reflects changes in net position on a cash basis in 2012 and 2011 for governmental activities, business-type activities, and the Village as a whole.

<b>Changes in Net Position</b>	<b>Table 2</b>					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$7,969	\$27,301	\$565,755	\$465,453	\$573,724	\$492,754
Operating Grants and Contributions	76,398	130,969	0	0	76,398	130,969
Capital Grants and Contributions						
<b>Total Program Receipts</b>	<b>84,367</b>	<b>158,270</b>	<b>565,755</b>	<b>465,453</b>	<b>650,122</b>	<b>623,723</b>
General Receipts:						
General Operating	82,251	53,720	0	0	82,251	53,720
Police Levy	80,174	70,653	0	0	80,174	70,653
Income Taxes	336,833	330,873	0	0	336,833	330,873
Grants and Entitlements Not Restricted to Specific Programs	29,868	46,581	0	0	29,868	46,581
Cable Franchise Fees	11,458	0	0	0	11,458	0
Interest	1,067	1,126	9	9	1,076	1,135
Miscellaneous	11,523	7,995	0	2,097	11,523	10,092
Other Debt Proceeds			181,737	125,833	181,737	125,833
<b>Total General Receipts</b>	<b>553,174</b>	<b>510,948</b>	<b>181,746</b>	<b>127,939</b>	<b>734,920</b>	<b>638,887</b>
<b>Total Receipts</b>	<b>637,541</b>	<b>669,218</b>	<b>747,501</b>	<b>593,392</b>	<b>1,385,042</b>	<b>1,262,610</b>
Disbursements:						
General Government	219,397	238,158	0	0	219,397	238,158
Security of Persons and Property:	218,346	207,128	0	0	218,346	207,128
Public Health Services	1,977	1	0	0	1,977	1
Community Environment	19,553	19,935	0	0	19,553	19,935
Transportation	142,406	210,779	0	0	142,406	210,779
Capital Outlay		21,116	0	0		21,116
Principal Retirement	12,019	11,595	0	0	12,019	11,595
Interest and Fiscal Charges	1,365	1,788	0	0	1,365	1,788
Water	0	0	191,402	178,161	191,402	178,161
Sewer	0	0	510,877	424,033	510,877	424,033
<b>Total Disbursements</b>	<b>615,063</b>	<b>710,500</b>	<b>702,279</b>	<b>602,194</b>	<b>1,317,342</b>	<b>1,312,694</b>
Excess (Deficiency) Before Transfers	22,478	(41,282)	45,222	(8,802)	67,700	(50,084)
Advances	(12,000)	0	12,000	0	0	0
Transfers	(647)	(653)	647	653	0	0
<b>Increase (Decrease) in Net Position</b>	<b>9,831</b>	<b>(41,935)</b>	<b>57,869</b>	<b>(8,149)</b>	<b>67,700</b>	<b>(50,084)</b>
Net Position, January 1, 2012	426,479	468,414	747,021	755,170	1,173,500	1,223,584
<b>Net Position, December 31, 2012</b>	<b>\$436,310</b>	<b>\$426,479</b>	<b>\$804,890</b>	<b>\$747,021</b>	<b>\$1,241,200</b>	<b>\$1,173,500</b>

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED**

Program receipts represent 13 percent of governmental receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

Program receipts for business-type activities equal 76 percent of total business-type activity receipts and represent receipts collected for water and sewer services provided to Village residents.

General receipts represent 87 percent of the total governmental activity. Of this amount, 90 percent are property and local taxes, and 6 percent are general receipts such as homestead and rollback and local government. The other 4 percent is comprised of miscellaneous receipts.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of Council, the Solicitor, and RITA (Regional Income Tax Agency). Security of Persons and Property are the costs of police protection contracted through the Knox County Sheriff's Office. Community Environment includes the cost of zoning and the Shade Tree Commission. Transportation costs are those associated with maintaining the streets.

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for General Government, Security of Persons and Property, and, Transportation which account for 36, 36, and 23 percent respectively. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)				
<b>Governmental Activities</b>				
	Total Cost	Net Cost	Total Cost	Net Cost
	of Services	of Services	of Services	of Services
	2012	2012	2011	2011
General Government	\$ 219,397	\$ 216,266	\$ 238,158	\$ 235,543
Security of Persons and Property	218,346	208,799	207,128	202,053
Public Health Services	1,977	1,977	1	1
Community Environment	19,553	14,715	19,935	(4,751)
Transportation	142,406	75,555	210,779	84,885
Capital Outlay	0	0	21,116	21,116
Principal Retirement	12,019	12,019	11,595	11,595
Interest and Fiscal Charges	1,365	1,365	1,788	1,788
<b>Total Expenses</b>	<b>\$ 615,063</b>	<b>\$ 530,696</b>	<b>\$ 710,500</b>	<b>\$ 552,230</b>

The dependence upon property and income tax receipts is apparent as over 86 percent of governmental activities are supported through these general receipts.

Transportation costs decreased due to less paving being completed.

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED**

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Security of Persons and Property expenses increased primarily due to an increase in the contract with the Knox County Sheriff's Department.

**Business-type Activities**

The water and sewer operations of the Village represent 64 percent of the total Village funds. The Village received \$180,068 in loan proceeds from a Planning and Design Loan through OWDA.

**The Village's Funds**

Total governmental funds had receipts of \$637,541 and disbursements of \$ 615,063. The greatest change within governmental funds was the General Fund, due to an increase in income and property tax receipts.

**General Fund Budgeting Highlights**

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2012, the Government amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to municipal income tax receipts and property tax receipts.

The Village kept a close watch on expenses throughout the year. The largest expenses from the General Fund were for personnel, transportation, and contract services through the Knox County Sheriff's Office.

**Debt Administration**

At December 31, 2012, the Village's outstanding debt included \$707,274 incurred through OWDA and OPWC loans for water and sewer infrastructure improvements, and a Planning and Development Loan for the WRF. Additional debt consists of two notes payable to First Knox National Bank. The first one is for improvements to the Village Town Hall, which has an outstanding balance of \$25,369. The other is for the purchase of land for the new WRF, which has an outstanding balance of \$20,389. See Note 10 to the Financial Statements.

**Current Issues**

The challenge for all Villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. With the successful formation of Centerburg Township, there was an increase in tax revenues in 2012. We are continuing to research every option for financing of the WRF. We continue to closely monitor the Village's receipts and disbursements from all funds.

**Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Teri James, Clerk-Treasurer, Village of Centerburg, 49 ½ E. Main Street, Centerburg, OH 43011 or via email to clerk@centeburgoh.org.

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS  
DECEMBER 31, 2012**

	Governmental Activities	Business - Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 436,310	\$ 804,890	\$ 1,241,200
<i>Total Assets</i>	<u>\$ 436,310</u>	<u>\$ 804,890</u>	<u>\$ 1,241,200</u>
<b>Net Position</b>			
Restricted for:			
Capital Projects	\$ 52	\$ -	\$ 52
Other Purposes	47,075	-	47,075
Unrestricted	<u>389,183</u>	<u>804,890</u>	<u>1,194,073</u>
<i>Total Net Position</i>	<u>\$ 436,310</u>	<u>\$ 804,890</u>	<u>\$ 1,241,200</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>						
Current:						
Security of Persons and Property	\$ 218,346	\$ -	\$ 9,547	\$ (208,799)	\$ -	\$ (208,799)
Public Health Services	1,977	-	-	(1,977)	-	(1,977)
Community Environment	19,553	4,838	-	(14,715)	-	(14,715)
Transportation	142,406	-	66,851	(75,555)	-	(75,555)
General Government	219,397	3,131	-	(216,266)	-	(216,266)
Debt Service:						
Principal Retirement	12,019	-	-	(12,019)	-	(12,019)
Interest and Fiscal Charges	1,365	-	-	(1,365)	-	(1,365)
<i>Total Governmental Activities</i>	<u>615,063</u>	<u>7,969</u>	<u>76,398</u>	<u>(530,696)</u>	<u>-</u>	<u>(530,696)</u>
<b>Business-Type Activities</b>						
Water Operating	191,402	220,688	-	-	29,286	29,286
Sewer Operating	510,877	345,067	-	-	(165,810)	(165,810)
<i>Total Business-Type Activities</i>	<u>702,279</u>	<u>565,755</u>	<u>-</u>	<u>-</u>	<u>(136,524)</u>	<u>(136,524)</u>
<i>Total Primary Government</i>	<u>\$ 1,317,342</u>	<u>\$ 573,724</u>	<u>\$ 76,398</u>	<u>(530,696)</u>	<u>(136,524)</u>	<u>(667,220)</u>
General Receipts:						
Property Taxes Levied for:						
General Purposes				82,251	-	82,251
Police Services				80,174	-	80,174
Income Taxes				336,833	-	336,833
Grants and Entitlements not Restricted to Specific Programs				29,868	-	29,868
Other Debt Proceeds				-	180,068	180,068
Cable Franchise Fees				11,458	-	11,458
Earnings on Investments				1,067	9	1,076
Miscellaneous				11,523	1,669	13,192
Transfers				(647)	647	-
Advances				(12,000)	12,000	-
<i>Total General Receipts, Transfers and Advances</i>				<u>540,527</u>	<u>194,393</u>	<u>734,920</u>
Change in Net Position				9,831	57,869	67,700
<i>Net Position Beginning of Year</i>				<u>426,479</u>	<u>747,021</u>	<u>1,173,500</u>
<i>Net Position End of Year</i>				<u>\$ 436,310</u>	<u>\$ 804,890</u>	<u>\$ 1,241,200</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012**

	General	Street Const. Maintenance & Repair	Police Levy Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 391,597	\$ 15,455	\$ 17,866	\$ 11,392	\$ 436,310
<i>Total Assets</i>	<u>\$ 391,597</u>	<u>\$ 15,455</u>	<u>\$ 17,866</u>	<u>\$ 11,392</u>	<u>\$ 436,310</u>
<b>Fund Balances</b>					
Restricted	\$ -	\$ 15,455	\$ 17,866	\$ 11,392	\$ 44,713
Assigned	89,288	-	-	-	89,288
Unassigned (Deficit)	302,309	-	-	-	302,309
<i>Total Fund Balances</i>	<u>\$ 391,597</u>	<u>\$ 15,455</u>	<u>\$ 17,866</u>	<u>\$ 11,392</u>	<u>\$ 436,310</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Street Const. Maintenance & Repair Fund	Police Levy Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Municipal Income Taxes	\$ 336,833	\$ -	\$ -	\$ -	\$ 336,833
Property Taxes	82,251	-	80,174	-	162,425
Intergovernmental	29,868	58,333	9,547	8,518	106,266
Fines, Licenses and Permits	19,427	-	-	-	19,427
Earnings on Investments	1,040	11	-	16	1,067
Miscellaneous	11,488	35	-	-	11,523
<i>Total Receipts</i>	<u>480,907</u>	<u>58,379</u>	<u>89,721</u>	<u>8,534</u>	<u>637,541</u>
<b>Disbursements</b>					
Current:					
Security of Persons and Property	140,946	-	75,000	2,400	218,346
Public Health Services	1,978	-	-	-	1,978
Community Environment	19,552	-	-	-	19,552
Transportation	59,818	65,131	-	17,457	142,406
General Government	218,547	-	850	-	219,397
Debt Service:					
Principal Retirement	12,019	-	-	-	12,019
Interest and Fiscal Charges	1,365	-	-	-	1,365
<i>Total Disbursements</i>	<u>454,225</u>	<u>65,131</u>	<u>75,850</u>	<u>19,857</u>	<u>615,063</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>26,682</u>	<u>(6,752)</u>	<u>13,871</u>	<u>(11,323)</u>	<u>22,478</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	-	-	50	-	50
Transfers Out	(697)	-	-	-	(697)
Advances Out	(12,000)	-	-	-	(12,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(12,697)</u>	<u>-</u>	<u>50</u>	<u>-</u>	<u>(12,647)</u>
<i>Net Change in Fund Balances</i>	13,985	(6,752)	13,921	(11,323)	9,831
<i>Fund Balances Beginning of Year</i>	<u>377,612</u>	<u>22,207</u>	<u>3,945</u>	<u>22,715</u>	<u>426,479</u>
<i>Fund Balances End of Year</i>	<u>\$ 391,597</u>	<u>\$ 15,455</u>	<u>\$ 17,866</u>	<u>\$ 11,392</u>	<u>\$ 436,310</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Municipal Income Taxes	\$ 315,000	\$ 336,833	\$ 336,833	\$ -
Property Taxes	50,000	82,251	82,251	-
Intergovernmental	32,435	29,868	29,868	-
Fines, Licenses and Permits	15,000	19,426	19,427	1
Earnings on Investments	1,200	1,192	1,040	(152)
Miscellaneous	5,000	11,488	11,488	-
<i>Total Receipts</i>	<u>418,635</u>	<u>481,058</u>	<u>480,907</u>	<u>(151)</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	131,915	140,946	140,946	-
Public Health Services	2,000	1,978	1,978	-
Community Environment	25,000	19,553	19,553	-
Transportation	81,165	59,818	59,818	-
General Government	270,909	218,989	218,547	442
Debt Service:				
Principal Retirement	12,020	12,018	12,018	-
Interest and Fiscal Charges	1,400	1,365	1,365	-
<i>Total Disbursements</i>	<u>524,409</u>	<u>454,667</u>	<u>454,225</u>	<u>442</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(105,774)</u>	<u>26,391</u>	<u>26,682</u>	<u>291</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(750)	(697)	(697)	-
Other Financing Sources	-	(12,000)	(12,000)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(750)</u>	<u>(12,697)</u>	<u>(12,697)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	<u>(106,524)</u>	<u>13,694</u>	<u>13,985</u>	<u>291</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	<u>377,612</u>	<u>377,612</u>	<u>377,612</u>	<u>-</u>
<i>Unencumbered Fund Balance End of Year</i>	<u>\$ 271,088</u>	<u>\$ 391,306</u>	<u>\$ 391,597</u>	<u>\$ 291</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
STREET CONSTRUCTION MAINTENANCE AND REPAIR FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Intergovernmental	\$ 58,580	\$ 58,333	\$ 58,333	\$ -
Earnings on Investments	25	10	11	1
Miscellaneous	-	35	35	-
<i>Total Receipts</i>	<u>58,605</u>	<u>58,378</u>	<u>58,379</u>	<u>1</u>
<b>Disbursements</b>				
Current:				
Transportation	<u>71,000</u>	<u>65,131</u>	<u>65,131</u>	<u>-</u>
<i>Total Disbursements</i>	<u>71,000</u>	<u>65,131</u>	<u>65,131</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(12,395)	(6,753)	(6,752)	1
<i>Unencumbered Fund Balance Beginning of Year</i>	<u>22,207</u>	<u>22,207</u>	<u>22,207</u>	<u>-</u>
<i>Unencumbered Fund Balance End of Year</i>	<u>\$ 9,812</u>	<u>\$ 15,454</u>	<u>\$ 15,455</u>	<u>\$ 1</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
POLICE LEVY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$ 72,000	\$ 80,173	\$ 80,174	\$ 1
Intergovernmental	8,000	9,546	9,547	1
<i>Total Receipts</i>	80,000	89,719	89,721	2
<b>Disbursements</b>				
Current:				
Security of Persons and Property	75,000	75,000	75,000	-
General Government	850	850	850	-
<i>Total Disbursements</i>	75,850	75,850	75,850	-
<i>Excess of Receipts Over Disbursements</i>	4,150	13,869	13,871	2
<b>Other Financing Sources (Uses)</b>				
Transfers In	50	49	50	1
<i>Total Other Financing Sources</i>	50	49	50	1
<i>Net Change in Fund Balance</i>	4,200	13,918	13,921	3
<i>Unencumbered Fund Balance Beginning of Year</i>	3,945	3,945	3,945	-
<i>Unencumbered Fund Balance End of Year</i>	\$ 8,145	\$ 17,863	\$ 17,866	\$ 3

See accompanying notes to the basic financial statements

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**STATEMENT OF FUND NET POSITION - CASH BASIS  
PROPRIETARY FUNDS  
DECEMBER 31, 2012**

	Business-Type Activities				Total Enterprise Funds
	Water Operating	Sewer Operating	Enterprise Improvement	Nonmajor Enterprise Funds	
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 375,193	\$ 392,597	\$ 3,073	\$ 34,027	\$ 804,890
<i>Total Assets</i>	<u>\$ 375,193</u>	<u>\$ 392,597</u>	<u>\$ 3,073</u>	<u>\$ 34,027</u>	<u>\$ 804,890</u>
<b>Net Position</b>					
Unrestricted	\$ 375,193	\$ 392,597	\$ 3,073	\$ 34,027	\$ 804,890
<i>Total Net Position</i>	<u>\$ 375,193</u>	<u>\$ 392,597</u>	<u>\$ 3,073</u>	<u>\$ 34,027</u>	<u>\$ 804,890</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND NET POSITION - CASH BASIS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Business-Type Activities				Total Enterprise Funds
	Water Operating	Sewer Operating	Enterprise Improvement	Nonmajor Enterprise Funds	
<b>Operating Receipts</b>					
Charges for Services	\$ 212,771	\$ 345,067	\$ -	\$ 7,917	\$ 565,755
<i>Total Operating Receipts</i>	<u>212,771</u>	<u>345,067</u>	<u>-</u>	<u>7,917</u>	<u>565,755</u>
<b>Operating Disbursements</b>					
Personal Services	53,475	64,706	-	-	118,181
Employee Fringe Benefits	19,827	23,059	-	-	42,886
Contractual Services	34,270	59,258	180,068	-	273,596
Supplies and Materials	25,048	22,311	-	-	47,359
Other	-	50	-	4,661	4,711
<i>Total Operating Disbursements</i>	<u>132,620</u>	<u>169,384</u>	<u>180,068</u>	<u>4,661</u>	<u>486,733</u>
<i>Operating Income (Loss)</i>	<u>80,151</u>	<u>175,683</u>	<u>(180,068)</u>	<u>3,256</u>	<u>79,022</u>
<b>Non-Operating Receipts (Disbursements)</b>					
Earnings on Investments	-	-	-	9	9
Other Debt Proceeds	-	-	180,068	-	180,068
Miscellaneous Receipts	1,318	351	-	-	1,669
Capital Outlay	(48,065)	(29,184)	-	-	(77,249)
Principal Retirement	(6,056)	(119,418)	-	-	(125,474)
Interest and Other Fiscal Charges	-	(12,823)	-	-	(12,823)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(52,803)</u>	<u>(161,074)</u>	<u>180,068</u>	<u>9</u>	<u>(33,800)</u>
<i>Income before Transfers and Advances</i>	<u>27,348</u>	<u>14,609</u>	<u>-</u>	<u>3,265</u>	<u>45,222</u>
Transfers In	326	321	-	-	647
Advances In	-	12,000	-	-	12,000
<i>Change in Net Position</i>	<u>27,674</u>	<u>26,930</u>	<u>-</u>	<u>3,265</u>	<u>57,869</u>
<i>Net Position Beginning of Year</i>	<u>347,519</u>	<u>365,667</u>	<u>3,073</u>	<u>30,762</u>	<u>747,021</u>
<i>Net Position End of Year</i>	<u>\$ 375,193</u>	<u>\$ 392,597</u>	<u>\$ 3,073</u>	<u>\$ 34,027</u>	<u>\$ 804,890</u>

See accompanying notes to the basic financial statements

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**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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**Note 1 – Reporting Entity**

The Village of Centerburg, Knox County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, and boards that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village streets, and police services.

**B. Component Units**

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village has no component units.

**C. Jointly Governed Organizations and Public Entity Risk Pools**

As detailed in Notes 7 and 13, the Village participates in the Ohio Government Risk Management Plan, a public entity risk pool, the Central Ohio Joint Fire District, and the Centerburg Joint Recreation District, both jointly governed organizations.

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

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

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**A. Basis of Presentation**

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

**Fund Financial Statements**

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The proprietary fund statements report all other receipts and disbursements as non-operating.

**B. Fund Accounting**

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories: governmental and proprietary.

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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**Note 2 – Summary of Significant Accounting Policies** (continued)

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Village's major governmental funds are the General Fund, Street Construction, Maintenance, and Repair Fund, and the Police Levy Fund.

The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio. The Street Construction, Maintenance, and Repair Fund receives gasoline tax and motor vehicle tax money for repairing and maintaining Village streets. The Police Levy Fund receives property tax revenue to pay for contracted police services through the Knox County Sheriff's Office. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the Water Fund, Sewer Fund, and Enterprise Improvement. The Village also has a non-major enterprise fund for utility deposits.

Water Fund - The water fund accounts for the provision of water to the residents and commercial users located within the Village.

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

Enterprise Improvement – The Enterprise Improvement Fund accounts for improvements made to the water and sewer infrastructure

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**D. Budgetary Process**

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the function level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

**E. Cash and Investments**

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During 2012, the Village had a Money Market Savings Account and a Cash Management Account.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2012 were \$1,040.

**F. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

**G. Employer Contributions to Cost-Sharing Pension Plans**

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for post-retirement healthcare benefits.

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**H. Long-Term Obligations**

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

**I. Net Position**

Net position are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for Street Construction, Maintenance and Repair Fund, used for road maintenance projects and the Police Levy Fund, used to provide police services to the Village.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**J. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**Non-spendable:** The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

**Restricted:** Fund balance is reported as 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.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party – such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

**Committed:** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with the appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable.

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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**Note 2 – Summary of Significant Accounting Policies** (continued)

Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned:** Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by Village Council or a Village official designated that authority by ordinance or State Statute.

**Unassigned:** Unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classification. In other government 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 for expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**K. Interfund Transactions**

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating receipts/disbursements in proprietary funds. Advances are transfers that will be repaid and are also reported as other financing sources/uses in governmental funds and after non-operating receipts/disbursements in proprietary funds.

In 2012, the General Fund advanced \$12,000 to the Sewer Fund. Transfers to reallocate interest from the General Fund were: \$50 to Police Levy, \$326 to Water, and \$321 to Sewer.

**Note 3 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Street Construction, Maintenance and Repair, and Police Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as an assignment of fund balance (cash basis). There were no encumbrances at December 31, 2012.

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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**Note 4 – Deposits and Investments**

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association.

All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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**Note 4 – Deposits and Investments** (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**Deposits**

The December 31, 2012 carrying value of all deposits was \$1,241,200. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of December 31, 2012 \$991,200 of the Village's bank balance of \$1,241,200 was exposed to custodial credit risk as discussed below, while \$250,000 was covered by the Federal Deposit Insurance Corporation. Although the State statutory requirements for the deposit money have been followed, non-compliance with federal requirements could potentially subject the Village to a successful claim by the FDIC.

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105 % of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the respective depository and pledged as pooled collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Village.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Note 5 – Income Taxes**

The Village levies a 1 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or 50 percent of the 1 percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. Taxes are administered on behalf of the Village by the Regional income Tax Agency (RITA).

**Note 6 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2012 for real and public utility property taxes represents collections of the 2011 taxes. Real property tax receipts received during 2012 for tangible personal property (other than public utility property) are for 2011 taxes. Property taxes are levied after October 1, 2011 on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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**Note 6 – Property Taxes** (continued)

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2012 represent the collection of 2011 taxes. Public utility real and tangible personal property taxes received in 2012 became a lien on December 31, 2011 were levied after October 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value, public utility tangible personal property is currently assessed at varying percentages of true value.

The full tax rate for all Village operations for the year ended December 31, 2011 was \$9.40 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2012 property tax receipts were based are as follows:

Real Property	
Residential	\$ 18,074,950
Agricultural	112,380
Commercial/Ind/Mineral	4,876,220
Public Utility Property	792,980
<u>Total Assessed Values</u>	<u>\$ 23,856,530</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

**Note 7 – Risk Management**

**Risk Pool Membership**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (41.5% effective November 1, 2011, 40% through October 31, 2011 and 17.5% through October 31, 2010) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 782 and 761 members as of December 31, 2011 and 2010 respectively.

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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**Note 7 – Risk Management** (continued)

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Assets	\$13,100,381	\$12,501,280
Liabilities	(6,687,193)	(5,328,761)
Members' Equity	<u>\$6,413,188</u>	<u>\$7,172,519</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 8 – Defined Benefit Pension Plans**

**A. Ohio Public Employees Retirement System**

Plan Description - The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2011, members in state and local classifications contributed 10 percent of covered payroll.

The Village's contribution rate for 2012 was 14 percent of covered payroll.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2012, 2011, and 2010 were \$35,543, \$34,662, and \$ 32,396, respectively.

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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**Note 9 - Post-Employment Benefits**

Ohio Public Employees Retirement System

Plan Description - Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment healthcare coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide healthcare benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed 14 percent of covered payroll and public safety and law enforcement employers contributed at 17.87 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for paw and public safety employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding post-employment healthcare benefits. The amount of the employer contributions which was allocated to fund post-employment healthcare was not available.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The Village's contributions allocated to fund post-employment healthcare benefits for the years ended December 31, 2011, and 2010 were \$2,426, and \$2,100 respectively; 100% has been contributed for 2011 and 2010.

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**Note 9 - Post-Employment Benefits** (continued)

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the healthcare plan.

**Note 10 – Debt**

The Village's long-term debt activity for the year ended December 31, 2012, was as follows:

	Interest Rate	Balance December 31, 2011	Additions	Reductions	Balance December 31, 2012	Due Within One Year
<u>Governmental Activities</u>						
Town Hall Renovation	3.65%	\$ 37,388	\$	\$ 12,019	\$ 25,369	\$ 12,457
<u>Business-type Activities</u>						
OWDA Sewer Loan	8.35%	\$ 144,144		\$ 54,453	\$ 89,691	\$ 59,000
OPWC Sewer Lines	0%	67,329		6,733	60,596	6,733
OPWC Willis Street	0%	11,934		994	10,940	994
OPWC Westside Water	0%	109,003		6,056	102,947	6,056
Lock Road Project	5.16%	50,127		29,738	20,389	20,389
WRF Planning & Des Loan	4.42%	290,532	180,068	27,500	443,100	27,500
<u>Total Business-type Activities</u>		<u>\$673,069</u>	<u>180,068</u>	<u>\$125,474</u>	<u>\$727,663</u>	<u>120,672</u>

The Town Hall Renovation Note provided for remodeling of the second floor of the Town Hall to house handicap accessible Village offices and Council Chambers. The note for the property at Lock Road enabled the Village to purchase real estate for future construction of a new Water Reclamation Facility. A substantial payment was made in 2009 due to the sale of the house and 5 acres of property. The notes are backed by the full faith and credit of the Village and mature as indicated below:

Town Hall Renovation Note

Year	Principal	Interest
2013	12,457	925
2014	12,912	471
Totals	\$ 25,369	\$ 1,396

Lock Road Property

Year	Principal	Interest
2013	\$ 20,389	\$ 1,051

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**Note 10 – Debt** (continued)

The Ohio Water Development Authority (OWDA) loan relates to a sewer system expansion project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments, including interest, over 25 years. The loan is secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) Sewer Line Loan relates to a sewer line replacement project. The OPWC approved \$134,659 in loans to the Village for this project. The loans will be repaid in semi-annual installments of \$3,367 with no interest over 20 years. The loan is secured by sewer receipts. The Village has agreed to set utility rates sufficient to OPWC debt service requirements.

The Ohio Public Works Commission (OPWC) Willis Street Loan relates to a sanitary sewer replacement project. The OPWC approved \$19,887 in loans to the Village for this project. The loan will be repaid in semi-annual installments of \$497 with no interest over 20 years.

The Ohio Public Works Commission (OPWC) Westside Waterline Loan relates to a connector line project. The OPWC approved \$132,300 in loans to the Village for this project. The Village only utilized \$121,115 of the approved loan amount. The loan will be repaid in semi-annual installments of \$3,028 with no interest over 20 years.

The Ohio Public Works Commission (OPWC) WRF Development Loan relates to the expense of planning and development for the new Water Reclamation Facility mandated by the Ohio EPA to be built on the Lock Road property. The loan is secured by sewer receipts. Semi-annual principal payments will be made until the loan is rolled into loans for the entire WRF once construction begins. In 2012, the Village drew down \$180,068 in funds of the total approved loan amount of \$550,000. There is a remaining balance of \$51,900 still to be utilized.

The following is a summary of the Village's future annual debt service requirements:

		OWDA Loan		OPWC Loans
Year		Principal	Interest	Principal
2013		59,000	7,489	13,783
2014		30,691	2,552	13,783
2015				13,783
2016				13,783
2017 - 2021				68,915
2022 - 2026				33,262
2027 - 2029				17,174
Totals		\$89,691	\$10,041	\$ 174,483

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2012, were an overall debt margin of \$2,504,936 and an unvoted debt margin of \$1,312,530.

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

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**Note 11– Interfund Transfers**

During 2012 the following transfers were made:

Transfers from the General Fund to:	
Police Levy Fund	\$ 50
Water Fund	326
Sewer Fund	321
Total Transfers from the General Fund	\$ 697

Transfers to the Police Levy Fund and the Enterprise Funds from the General Fund were to allocate a portion of the interest earnings to these funds in 2012.

There was also an advance from the General Fund to the Sewer Fund in the amount of \$12,000.

**Note 12 – Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Note 13 – Jointly Governed Organizations**

The Central Ohio Joint Fire District (the District) is a jointly governed organization pursuant to the Ohio Revised Code 505.371. The District was formed in 2000 and consists of Hilliar, Milford, and Liberty Townships and the Village of Centerburg. The District board consists of a trustee from each township, a Council member from the Village and an at-large member appointed by a vote of the District Board. Revenues are generated from a 5.5 mil operating levy. The Village is also part of the Centerburg Joint Recreation District. The District board encompasses the same area as Centerburg Local Schools. There are five board members, consisting of a representative from Hilliar, Milford, and Liberty Townships, the Village of Centerburg, and the Centerburg Schools.

**Note 14 – Subsequent Event**

Subsequent to the fiscal year end, on December 2, 2013, the Village was awarded a Water Pollution Control Loan through the Water Reclamation Facility in the amount of \$8,161,490, at 0% interest, for a term of 20 years, in order to construct a new wastewater treatment facility. Payments are preliminary scheduled to take place in early 2016.



# 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 Centerburg  
Knox County  
49 ½ East Main Street  
Centerburg, Ohio 43011

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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Centerburg, Knox County, (the Village) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated April 30, 2015.

### ***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 a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 2012-001 and 2012-002 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

***Village's Responses to Findings***

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

***Purpose of this Report***

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



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

April 30, 2015

VILLAGE OF CENTERBURG  
KNOX COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2012

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

**FINDING NUMBER 2012-001**

**Noncompliance Citation/Material Weakness**

**Ohio Rev. Code § 5705.10 (D)** states, in part, that all revenues derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. Additionally, **Ohio Rev. Code § 5705.10(H)** states that money paid into any fund shall be used only for the purpose for which such fund is established.

During 2012, the Village posted local government funds to the Street Construction Maintenance and Repair and State Highway Funds, rather than the General Fund. As a result, \$2,232 was adjusted out of the Street Construction Maintenance and Repair Fund and \$181 out of the State Highway fund credited to the General Fund.

The Fiscal Officer should be diligent in assuring funds are properly posted to the correct funds in accordance with the Village's Uniform Accounting Network (UAN) coding system and the Ohio Revised Code.

In addition, the Village should implement additional procedures over the completeness and accuracy of financial information reported within the annual financial report. Such procedures may include review of the financial statements and relate components with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions.

The Village Fiscal Officer made the adjustments to the Village's accounting records and the adjustments are reflected in the accompanying financial statements.

**Officials' Response:**

The receipt was posted to the Street & State Highway Funds. The portion that should have been posted to the General Fund was inadvertently omitted. The correct amounts were posted to the correct funds with a fund balance adjustment. The Clerk-Treasurer will review revenue ledgers to assure the correct amounts are posted to the appropriate funds.

**FINDING NUMBER 2012-002**

**Financial Statement Presentation/Material Weakness**

Sound financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of the Village's financial statements.

In addition to the adjustment noted in Finding 2012-001, several audit reclassifications and one audit adjustment were posted to the Village's December 31, 2012 financial statements and, where applicable, the accounting records to accurately reflect account balances. The following posting errors were noted:

**VILLAGE OF CENTERBURG  
KNOX COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012  
(Continued)**

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

**FINDING NUMBER 2012-002 (Continued)**

**Financial Statement Presentation/Material Weakness (Continued)**

	<b>Amount</b>
<b>Governmental Activities:</b>	
The following reclassifications were needed to the respective line items:	
General Receipts: Police Services, posted as taxes.	\$76,386
General Receipts: Grants/Entitlements not Restricted to Specific Programs, posted as taxes.	\$7,035
Operating Grants/Contributions: Security of Persons and Property, posted as taxes.	\$9,547
Operating Grants/Contributions: Transportation, posted as taxes.	\$1,375
Assigned Fund Balance: Amount incorrectly recorded as Unassigned	\$89,288
Homestead and rollback funds were posted as taxes rather than Intergovernmental in the Police Fund	\$4,790
<b>Business Type Activities:</b>	
The Village reported Westside Water Fund, a Proprietary Fund, in the Governmental Fund Type	\$10,616
Debt proceeds from the Ohio Water Development Authority were posted as Other Financing Sources rather than Debt Proceeds.	\$180,068

Not posting receipts and disbursements accurately to the ledgers resulted in the financial statements requiring audit adjustments and reclassification entries; furthermore, inaccurate accounting records could make it difficult for the Village Council to effectively monitor the Village's activities or identify misstatements or errors in a timely manner.

We recommend the Village's Fiscal Officer take steps to ensure the accurate posting of all transactions to the ledgers. Cash receipts should be posted in accordance with procedures and posting guidelines established in the Uniform Accounting Network line item descriptions. By exercising accuracy in recording financial activity, the Village can reduce posting errors and increase the reliability of the financial data throughout the year.

We also recommend the Village implement additional procedures over the completeness and accuracy of financial information reported within the annual financial report. Such procedures may include review of the financial statements and related components with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions.

**Officials' Response:**

The receipts were posted to the correct funds but inadvertently to the wrong line items. The Clerk-Treasurer will review revenue ledgers to assure the correct amounts are posted to the appropriate line items. Postings to the West Side Water Fund were per AOS Technical Bulletin 2002-004.



# Dave Yost • Auditor of State

**VILLAGE OF CENTERBURG**

**KNOX 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  
JUNE 30, 2015**