



OHIO AUDITOR OF STATE  
**KEITH FABER**





VILLAGE OF CENTERVILLE  
GALLIA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report .....	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2018 .....	5
Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - Proprietary Fund Type For the Year Ended December 31, 2018 .....	6
Notes to the Financial Statements – For the Year Ended December 31, 2018 .....	7
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2017 .....	15
Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - Proprietary Fund Type For the Year Ended December 31, 2017 .....	16
Notes to the Financial Statements – For the Year Ended December 31, 2017 .....	17
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	23
Schedule of Findings.....	25
Summary Schedule of Prior Audit Findings (Prepared by Management) .....	34

**This page intentionally left blank.**

# OHIO AUDITOR OF STATE KEITH FABER



PO Box 828  
Athens, Ohio 45701  
(740) 594-3300 or (800) 441-1389  
SoutheastRegion@ohioauditor.gov

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

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

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Centerville, Gallia County, Ohio (the Village), as of and for the years ended December 31, 2018 and 2017.

### ***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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

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

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

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

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

***Basis for Qualified Opinion on Enterprise Fund Receipts on Regulatory Basis of Accounting***

Charges for Services are reported at \$29,636 and \$29,896 for the years ended December 31, 2018 and 2017, respectively, which are 100 percent of total Enterprise Fund operating receipts for the years ended December 31, 2018 and 2017, respectively. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as Charges for Services receipts.

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

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on Enterprise Fund Receipts on Regulatory Basis of Accounting* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Centerville, Gallia County, Ohio, as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

***Emphasis of Matters***

The accompanying financial statements have been prepared assuming the Village will continue as a going concern. As discussed in Note 9 to both the 2018 and 2017 financial statements, the Village has suffered recurring net losses and has a deficit balance in the Sanitary Sewer Fund at December 31, 2018. These conditions raise substantial doubt about the Village's ability to continue as a going concern. Management's plans regarding those matters are also described in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. We did not modify our opinion regarding this matter.

As discussed in Note 11 to the financial statements for the year ended December 31, 2018, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. 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 February 10, 2021, 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.



Keith Faber  
Auditor of State  
Columbus, Ohio

February 10, 2021

**This page intentionally left blank.**



**Village of Centerville, Ohio**

Gallia County

Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2018

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$95	\$0	\$95
Intergovernmental	51,037	3,997	55,034
Charges for Services	6,956	0	6,956
Fines, Licenses and Permits	43	0	43
Miscellaneous	10,896	0	10,896
<i>Total Cash Receipts</i>	<u>69,027</u>	<u>3,997</u>	<u>73,024</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	23,418	0	23,418
Transportation	0	56	56
General Government	44,409	0	44,409
Debt Service:			
Principal Retirement	2,195	0	2,195
Interest and Fiscal Charges	2,285	0	2,285
<i>Total Cash Disbursements</i>	<u>72,307</u>	<u>56</u>	<u>72,363</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(3,280)</u>	<u>3,941</u>	<u>661</u>
<b>Other Financing Receipts</b>			
Loans Issued			0
Other Financing Sources	285	0	285
<i>Total Other Financing Receipts</i>	<u>285</u>	<u>0</u>	<u>285</u>
<i>Net Change in Fund Cash Balances</i>	(2,995)	3,941	946
<i>Fund Cash Balances, January 1</i>	<u>19,190</u>	<u>18,849</u>	<u>38,039</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	22,790	22,790
Committed	0	0	0
Unassigned (Deficit)	16,195	0	16,195
<i>Fund Cash Balances, December 31</i>	<u>\$16,195</u>	<u>\$22,790</u>	<u>\$38,985</u>

See accompanying notes to the basic financial statements

**Village of Centerville, Ohio**  
*Gallia County*  
*Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*Proprietary Fund Type*  
*For the Year Ended December 31, 2018*

	<u>Proprietary</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	<u>\$29,636</u>
<i>Total Operating Cash Receipts</i>	<u>29,636</u>
<b>Operating Cash Disbursements</b>	
Personal Services	1,200
Employee Fringe Benefits	185
Contractual Services	23,162
Supplies and Materials	<u>298</u>
<i>Total Operating Cash Disbursements</i>	<u>24,845</u>
<i>Operating Income (Loss)</i>	<u>4,791</u>
<b>Non-Operating Disbursements</b>	
Principal Retirement	<u>(10,778)</u>
<i>Total Non-Operating Disbursements</i>	<u>(10,778)</u>
<i>Net Change in Fund Cash Balances</i>	(5,987)
<i>Fund Cash Balances, January 1</i>	<u>627</u>
<i>Fund Cash Balances, December 31</i>	<u><u>(\$5,360)</u></u>

*See accompanying notes to the basic financial statements*

**Village of Centerville, Ohio**  
*Gallia County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

**Note 1 - Reporting Entity**

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

***Public Entity Risk Pool***

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

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

***Basis of Presentation***

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

***Fund Accounting***

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

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

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

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

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

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

**Village of Centerville, Ohio**  
*Gallia County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

---

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

***Encumbrances*** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio Law.

A summary of 2018 budgetary activity appears in Note 3.

***Capital Assets***

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

***Fund Balance***

Fund balance is divided into 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:

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

**Village of Centerville, Ohio**  
*Gallia County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**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.

**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.

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

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

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

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$53,369	\$69,312	\$15,943
Special Revenue	2,700	3,997	1,297
Enterprise	41,496	29,636	(11,860)
Total	\$97,565	\$102,945	\$5,380

**Village of Centerville, Ohio**  
*Gallia County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$71,169	\$72,307	(\$1,138)
Special Revenue	8,400	56	8,344
Enterprise	34,570	37,196	(2,626)
Total	\$114,139	\$109,559	\$4,580

Contrary to Ohio law, the Sewer Fund had unrecorded encumbrances of \$1,573 at December 31, 2018. Also contrary to Ohio law, expenditures plus encumbrances exceeded appropriations in the General Fund by \$1,138 and in the Sewer Fund by \$317 at December 31, 2018. Lastly, contrary to Ohio law, the Sewer Fund had a deficit balance of \$5,360 at December 31, 2018.

**Note 4 – Deposits and Investments**

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

	2018
Demand deposits	\$33,625

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation.

**Note 5 – Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

**Village of Centerville, Ohio**  
*Gallia County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

**Note 6 - 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 Ohio Plan Risk Management, Inc. (OPRM) (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 § 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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

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

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. OPERS members 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, 2018.

**Village of Centerville, Ohio**  
*Gallia County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

**Social Security**

The Village’s Council Members contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2018.

**Note 8 – Debt**

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
Fire Truck/Sewer Loan Refiance	\$65,305	3.75%
Ohio Public Works Loan #CT41B	\$4,532	0.00%
Ohio Public Works Loan #CU04P	3,542	0.00%
Total	\$73,379	

During 2018, there was an interest rate change on the Fire Truck/Sewer Loan and payments were recalculated to pay off the loan in equal monthly payment over 5 years rather than have a balloon payment due in July, 2023.

Amortization

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

Year Ending December 31, 2018	General Obligation Note	Ohio Public Works Loan #CT41B	Ohio Public Works Loan #CU04P
2019	\$15,549	\$755	\$74
2020	15,549	1,511	148
2021	15,549	1,511	148
2022	15,549	755	147
2023	8,945		147
2024-2028			738
2029-2033			738
2034-2038			738
2039-2043			664
Total	\$71,141	\$4,532	\$3,542



**Village of Centerville, Ohio**  
*Gallia County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

**Note 9 - Going Concern**

Expenses have exceeded revenues for the years of 2005, 2006, 2007, 2008, 2009, 2010, 2012, 2014, 2017 and 2018 in the Sewer Fund. The Sewer Fund reflected a deficit balance of \$5,360 at the end of 2018. 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 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.

**Note 10 – Special Investigation**

The Auditor of State is conducting a special investigation. As of the date of this report, the investigation is ongoing. The results of the investigation will be reported on at a later date.

**Note 11 – Subsequent Events**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. In addition, the impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**This page intentionally left blank.**

**Village of Centerville, Ohio**

Gallia County

Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2017

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$365	\$0	\$365
Intergovernmental	141,877	3,560	145,437
Charges for Services	6,310	0	6,310
Fines, Licenses and Permits	25	0	25
Miscellaneous	8,833	0	8,833
<i>Total Cash Receipts</i>	<u>157,410</u>	<u>3,560</u>	<u>160,970</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	102,953	0	102,953
Transportation	0	1,035	1,035
General Government	44,359	0	44,359
Debt Service:			
Principal Retirement	1,832	0	1,832
Interest and Fiscal Charges	2,138	0	2,138
<i>Total Cash Disbursements</i>	<u>151,282</u>	<u>1,035</u>	<u>152,317</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>6,128</u>	<u>2,525</u>	<u>8,653</u>
<b>Other Financing Disbursements</b>			
Transfers Out	(1,516)	0	(1,516)
<i>Total Other Financing Disbursements</i>	<u>(1,516)</u>	<u>0</u>	<u>(1,516)</u>
<i>Net Change in Fund Cash Balances</i>	4,612	2,525	7,137
<i>Fund Cash Balances, January 1</i>	<u>14,578</u>	<u>16,324</u>	<u>30,902</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	18,849	18,849
Assigned	17,800	0	17,800
Unassigned (Deficit)	1,390	0	1,390
<i>Fund Cash Balances, December 31</i>	<u>\$19,190</u>	<u>\$18,849</u>	<u>\$38,039</u>

See accompanying notes to the basic financial statements

**Village of Centerville, Ohio**  
*Gallia County*  
*Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*Proprietary Fund Type*  
*For the Year Ended December 31, 2017*

	<u>Proprietary</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	<u>\$29,896</u>
<i>Total Operating Cash Receipts</i>	<u>29,896</u>
<b>Operating Cash Disbursements</b>	
Personal Services	1,200
Employee Fringe Benefits	185
Contractual Services	21,659
Supplies and Materials	<u>228</u>
<i>Total Operating Cash Disbursements</i>	<u>23,272</u>
<i>Operating Income (Loss)</i>	<u>6,624</u>
<b>Non-Operating Disbursements</b>	
Principal Retirement	<u>(8,472)</u>
<i>Total Non-Operating Disbursements</i>	<u>(8,472)</u>
<i>Income (Loss) before Transfers</i>	(1,848)
Transfers In	<u>1,516</u>
<i>Net Change in Fund Cash Balances</i>	(332)
<i>Fund Cash Balances, January 1</i>	<u>959</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$627</u></u>

*See accompanying notes to the basic financial statements*

**Village of Centerville, Ohio**  
*Gallia County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

**Note 1 - Reporting Entity**

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

***Public Entity Risk Pool***

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

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

***Basis of Presentation***

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

***Fund Accounting***

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

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

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

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

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

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

**Village of Centerville, Ohio**  
*Gallia County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

***Encumbrances*** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio Law.

A summary of 2017 budgetary activity appears in Note 3.

***Capital Assets***

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

***Fund Balance***

Fund balance is divided into 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:

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

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

**Village of Centerville, Ohio**  
*Gallia County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**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.

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

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

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

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$151,939	\$157,410	\$5,471
Special Revenue	2,700	3,560	860
Enterprise	33,000	31,412	(1,588)
Total	\$187,639	\$192,382	\$4,743

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$155,899	\$152,798	\$3,101
Special Revenue	7,050	1,035	6,015
Enterprise	32,951	33,268	(317)
Total	\$195,900	\$187,101	\$8,799

Contrary to Ohio law, the Sewer Fund had unrecorded encumbrances of \$1,573 at December 31, 2017. Also contrary to Ohio law, expenditures plus encumbrances exceeded appropriations in the Sewer Fund by \$317 at December 31, 2017.

**Village of Centerville, Ohio**  
*Gallia County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

**Note 4 – Deposits**

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

	<u>2017</u>
Demand deposits	\$38,666

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation.

**Note 5 – Taxes**

***Property Taxes***

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

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

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

**Note 6 - 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 Ohio Plan Risk Management, Inc. (OPRM) (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 § 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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty.



**Village of Centerville, Ohio**  
*Gallia County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 764 members as of December 31, 2017.

*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 equity at December 31, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

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

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. OPERS members 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, 2017.

***Social Security***

The Village's Council Members contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

**Village of Centerville, Ohio**  
*Gallia County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 8 – Debt**

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Fire Truck/Sewer Loan Refiance	\$75,790	2.75%
Ohio Public Works Loan #CT41B	\$6,799	0.00%
Ohio Public Works Loan #CU04P	3,763	0.00%
Total	\$86,352	

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

Year Ending December 31, 2017	General Obligation Note	Ohio Public Works Loan #CT41B	Ohio Public Works Loan #CU04P
2018	\$10,947	\$1,511	\$148
2019	11,214	1,511	148
2020	11,269	1,511	148
2021	11,269	1,511	147
2022	11,269	755	147
2023-2027	30,757		738
2028-2032			738
2033-2037			738
2038-2042			738
2043			73
Total	\$86,725	\$6,799	\$3,763

**Note 9 - Going Concern**

Expenses have exceeded revenues for the years of 2005, 2006, 2007, 2008, 2009, 2010, 2012, 2014 and 2017 in the Sewer Fund. The Sewer Fund reflected a positive balance of \$627 at the end of 2017 due to a transfer-in for the amount of \$1,516 during the year. 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 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.

**Note 10 – Special Investigation**

The Auditor of State is conducting a special investigation. As of the date of this report, the investigation is ongoing. The results of the investigation will be reported on at a later date.

# OHIO AUDITOR OF STATE KEITH FABER



53 Johnson Road  
The Plains, Ohio 45780-1231  
(740) 594-3300 or (800) 441-1389  
SoutheastRegion@ohioauditor.gov

## 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  
Centerville, Ohio 45685

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Centerville, Gallia County, Ohio (the Village), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated February 10, 2021, wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We qualified our opinion on Charges for Services receipts in the Enterprise Fund. We also noted the Village was experiencing financial difficulties. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Village.

### ***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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2018-003 through 2018-007 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2018-001 and 2018-002.

***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 report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

February 10, 2021

**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017**

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

**FINDING NUMBER 2018-001**

**Noncompliance**

**Ohio Rev. Code § 5705.41(B)** prohibits a subdivision or taxing authority from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the Village had expenditures in excess of appropriations as of December 31, 2018, as follows:

Fund	Appropriation Authority	Expenditures plus Encumbrances	Variance
General	\$71,169	\$72,307	(\$1,138)
Sewer	34,570	37,196	(2,626)

The Village had expenditures in excess of appropriations as of December 31, 2017, as follows:

Fund	Appropriation Authority	Expenditures plus Encumbrances	Variance
Sewer	\$32,951	\$33,268	(\$317)

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Village Council should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

**FINDING NUMBER 2018-002**

**Noncompliance**

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

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

**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017  
(Continued)**

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

**FINDING NUMBER 2018-002 (Continued)**

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

1. "Then and Now" certificate - If the Fiscal Officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.
  
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
  
3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village had unrecorded encumbrances of \$1,524 in 2017, and \$2,266 in 2018. There was no evidence the Village followed aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

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

**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017  
(Continued)**

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

**FINDING NUMBER 2018-003**

**Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Council to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending, it is therefore necessary the amounts appropriated by the Council are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

At December 31, 2018, estimated receipts as approved by the Budget Commission did not agree to the Village's accounting system. The variances and funds are as follows:

<u>Fund</u>	<u>Approved Amount</u>	<u>Amount per UAN System</u>	<u>Variance</u>
General	\$53,369	\$58,892	(\$5,523)
Street	2,500	3,793	(1,293)
State Highway	200	307	(107)
Sewer	41,496	43,022	(1,526)

At December 31, 2017, approved appropriations did not agree to the Village's accounting system as follows:

<u>Fund</u>	<u>Approved Amount</u>	<u>Amount per UAN System</u>	<u>Variance</u>
General	\$155,899	\$149,069	\$6,830

At December 31, 2018, approved appropriations did not agree to the Village's accounting system as follows:

<u>Fund</u>	<u>Approved Amount</u>	<u>Amount per UAN System</u>	<u>Variance</u>
General	\$71,169	\$77,017	(\$5,848)
Sewer	34,570	38,070	(3,500)

**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017  
(Continued)**

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

**FINDING NUMBER 2018-003 (Continued)**

**Material Weakness (Continued)**

Also, the appropriations for the General Fund of \$155,899 were omitted from the notes to the financial statements for the year ended December 31, 2017. In addition, the estimated receipts for the General, Special Revenue, and Enterprise Fund types were overstated by \$5,523, \$1,400, and \$1,526, respectively, in the notes to the financial statements for the year ended December 31, 2018. The appropriations for the General, Special Revenue, and Enterprise Fund types of \$71,169, \$8,400, and \$34,570, respectively, were omitted from the notes to the financial statements for the year ended December 31, 2018.

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) approved by the Council were not properly posted to the accounting system. Additionally, the approved Certificate of Estimated Resources (and/or amendments thereof) was not properly posted to the accounting system.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could and did lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Council. The Village should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

**FINDING NUMBER 2018-004**

**Material Weakness**

The Village issued a note on July 12, 2013 for \$92,084 that was used to pay off a previous Sanitary Sewer Note balance of \$68,825 as well as the balance of the Fire Truck Note of \$22,326. This note was refinanced on August 4, 2016 to include an additional \$20,000. The proceeds of this refinance were used to pay for new sewer pumps and for the hauling of them.

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

At December 31, 2017, the Village had a balance of \$19,190 in the General Fund and \$627 in the Sewer Fund. Per review of the Sewer Fund activity for 2017, the fund ran in a deficit at the beginning of each month when the monthly sewer bill of \$1,573 is payable to the Village of Rio Grande along with the monthly debt payment. At December 31, 2018, the Village had a balance of \$16,195 in the General Fund and a deficit balance of \$5,360 in the Sewer Fund.



**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017  
(Continued)**

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

**FINDING NUMBER 2018-004 (Continued)**

**Material Weakness (Continued)**

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 2018-005**

**Material Weakness**

The Village offers sewage services to its residents for a flat rate. Tracking sheets are maintained which indicate the customer name, amount owed and amount paid for that month. The Village did not maintain supporting documents for amounts received or the amounts billed. There were no duplicate receipts or other support for the transactions. A copy of the deposit slips are imaged on the monthly bank statements which list all amounts collected and included the customers' last names, if paid by check. There was no indication that monthly utility receipts per the tracking sheets were reconciled with the monthly deposits per the bank statements. The Village minutes indicated that delinquent accounts existed, however records to support the delinquent accounts were not found. We also noted that late fees were applied from month to month, however without receipt documentation we could not determine which accounts were assessed the late fees. The customer tracking sheets maintained by the Fiscal Officer did not always indicate the means of payment (cash or check) or the date the amount was paid. We also noted that, for 2017, the July and August completed tracking sheets were missing. We were able to obtain copies of the billed amounts for those months.

In a detailed test of tracing payments per tracking sheets to deposit tickets, we noted total discrepancies between the tracking sheets and bank deposits of \$4,061 in 2017 and \$2,780 in 2018. Of this amount, \$3,665 in 2017 and \$2,320 in 2018 is un-deposited cash. The remaining \$396 in 2017 and \$460 in 2018 are believed to be errors in posting payments to the tracking sheets. As such, we were unable to satisfy ourselves as to the completeness of Charges for Services receipts in the Sewer Fund. We have modified our opinion in the Independent Auditor's Report accordingly. The total discrepancies amounts represent 13.6% of Sewer Fund Charges for Services receipts in 2017 and 9.4% of Sewer Fund Charges for Services receipts in 2018.

Inadequate supporting documentation eliminates a significant control point, obscures the audit trail and provides for the opportunity for errors, fraud, and irregularities occurring and not being detected by management in a timely manner. These items also contributed to the Sewer Fund having a deficit balance of \$5,360 at December 31, 2018.

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

**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017  
(Continued)**

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

**FINDING NUMBER 2018-006**

**Material Weakness**

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Council is responsible for reviewing the reconciliations and related support.

Monthly bank to book reconciliations were not prepared or reviewed by the Fiscal Officer in a timely manner.

2018:

- Monthly reconciliations for January through October of 2018 were completed on December 7, 2018.
- Monthly reconciliations for November through December of 2018 were completed on January 11, 2019.

2017:

- Monthly reconciliations for February through April of 2017 were completed on May 20, 2017.
- Monthly reconciliation for May of 2017 was completed on July 25, 2017.
- Monthly reconciliation for June of 2017 was completed on August 18, 2017.
- Monthly reconciliations for July through August of 2017 were completed on November 4, 2017.
- Monthly reconciliation for September of 2017 was completed on December 23, 2017.
- Monthly reconciliations for October through November of 2017 were completed on January 13, 2018.
- Monthly reconciliation for December of 2017 was completed on February 4, 2018.

Review of the reconciliations also noted the following adjustments:

2018:

- We noted \$240 in returned payments for the sewer fund which were not posted. This resulted in an overstatement of Charges for Services receipts in the Sewer Fund.
- We noted \$30 in bank fees related to returned payments for the sewer fund which were not posted. This resulted in an understatement of Contractual Services disbursements in the Sewer Fund.
- We noted a debt payment posted in the incorrect amount. An adjustment was posted to correct the payment amount, however, the adjustment was posted twice in the amount of \$144. This resulted in an overstatement of Principal disbursements in the Sewer Fund.
- We noted a payment of \$150 to Time Warner marked as cleared rather than void. This resulted in an overstatement of General Government disbursements in the General Fund.

**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**  
**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017  
(Continued)**

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

**FINDING NUMBER 2018-006 (Continued)**

**Material Weakness (Continued)**

2017:

- We noted \$170 in returned payments for the sewer fund which were not posted. This resulted in an overstatement of Charges for Services receipts in the Sewer Fund.
- We noted \$20 in bank fees related to returned payments for the sewer fund which were not posted. This resulted in an understatement of Contractual Services disbursements in the Sewer Fund.
- We noted a payment of \$52 to OPERS marked as cleared rather than void. This resulted in an overstatement of General Government disbursements in the General fund.
- We noted a \$5 difference in miscellaneous receipts deposited to the bank and the amount posted. This resulted in an overstatement of Miscellaneous receipts in the General Fund.

Additionally, we noted the following errors in the reconciliations:

- The year end outstanding check list for 2018 and 2017 included \$432 in payments to the Internal Revenue Service which were dated April 22, 2016 and July 25, 2016. The year end outstanding check list included an additional \$181 payment to the Internal Revenue Service dated April 12, 2018. If these items were paid on a subsequent check, these items need to be marked void in UAN since they will never clear.
- The year end outstanding check list included a \$70 in payment to BP Oil dated October 10, 2016 which was noted as cleared in the prior audit. The prior audit already adjusted for this item so this check should be marked cleared in UAN so it can be removed from the outstanding check list.
- The year end Deposits in Transit for 2018 include a receipt for \$295 that was actually posted twice so the second posting is included as a Deposit in Transit but will never clear the bank. Since this was adjusted during the current audit, this item should be marked reconciled on the Outstanding Receipt list.

Failure to reconcile monthly increases the possibility that the Village will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of timely and accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Fiscal Officer should record all transactions and prepare timely monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Council should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

**FINDING NUMBER 2018-007**

**Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017  
(Continued)**

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

**FINDING NUMBER 2018-007 (Continued)**

**Material Weakness (Continued)**

The following errors were noted in the financial statements that required adjustment or reclassification:

For the year ended December 31, 2018:

- Errors in the cash reconciliation resulted in General Fund General Government disbursements being overstated \$150, Sewer Fund Charges for Services receipts being overstated \$240, Sewer Fund Contractual Services disbursements being understated \$30 and Sewer Fund Principal disbursements being overstated \$144.
- Principal and Interest were posted incorrectly in the General Fund resulting in Principal being overstated and Interest being understated by \$189.
- A Street Fund and State Highway Fund receipt was incorrectly posted to the General Fund resulting in General Fund Intergovernmental receipts being overstated \$192 while Street Fund Intergovernmental receipts being understated by \$178 and State Highway Fund Intergovernmental receipts being understated by \$14.
- A Street Fund and State Highway Fund receipt was posted twice resulting in Street Fund Intergovernmental receipts being overstated \$273 and State Highway Fund Intergovernmental receipts being overstated by \$22.
- Rent receipts were incorrectly posted to the Sewer Fund resulting in Sewer Fund Charges for Services receipts being overstated \$10,612 and General Fund Miscellaneous receipts being understated by \$10,612, also contributing to the deficit fund balance in the Sewer Fund at December 31, 2018.
- Sewer Fund assessments were posted as Other Financing Sources resulting in Other Financing Sources being overstated \$1,562 and Charges for Services being understated \$1,562.

For the year ended December 31, 2017:

- Errors in the cash reconciliation resulted in General Fund General Government disbursements being overstated \$52, General Fund Miscellaneous receipts being overstated \$5, Sewer Fund Charges for Services receipts being overstated \$170, and Sewer Fund Contractual Services disbursements being understated \$20.
- An error in the prior year resulted in General Fund Intergovernmental receipts being overstated \$177 while Street Fund Intergovernmental receipts were understated \$162 and State Highway Fund Intergovernmental receipts were understated \$15.
- Principal and Interest were posted incorrectly in the General Fund resulting in Principal being understated and Interest being overstated by \$117.
- Rent receipts were incorrectly posted to the Sewer Fund resulting in Sewer Fund Charges for Services receipts being overstated \$758 and General Fund Miscellaneous receipts being understated by \$758.
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balance on the financial statements and was codified as follows: GASB Cod. 1800.176 require reporting amounts as assigned when subsequent appropriations exceed estimated receipts. The Village incorrectly reported the assigned portion of the General Fund's cash fund balance as unassigned, in the amount of \$17,800.
- A State Highway Fund receipt was incorrectly posted to the Street Fund resulting in Street Fund Intergovernmental receipts being overstated \$3 and State Highway Fund Intergovernmental receipts being understated by \$3.

**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017  
(Continued)**

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

**FINDING NUMBER 2018-007 (Continued)**

**Material Weakness (Continued)**

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

The Fiscal Officer should review the Village Officer's Handbook for guidance on the correct line item to post various receipts and disbursements to ensure the financial statements are complete and accurate. The Fiscal Officer should also review Auditor of State Bulletin 2011-004 for Statement No. 54 of the Governmental Accounting Standards Board (GASB) for proper reporting of fund balances on the financial statements.

**Official's Response:** We did not receive a response from Officials to these findings.

**VILLAGE OF CENTERVILLE  
GALLIA COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2018 AND 2017**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2016-001	Noncompliance with Ohio Admin. Code § 117-2-02(C)(1) and Material Weakness for approved budgetary amounts not agreeing to the accounting system.	Not Corrected	
2016-002	Noncompliance with Ohio Admin. Code § 117-2-01(D)(3) and (5) and Material Weakness for not timely preparing monthly bank reconciliations.	Not Corrected	
2016-003	Noncompliance with Ohio Rev. Code § 5705.41(B) for expenditures plus encumbrances exceeding appropriations.	Not Corrected	
2016-004	Noncompliance with Ohio Rev. Code § 5705.41(D) unrecorded encumbrances.	Not Corrected	
2016-005	Material Weakness for having a bank note but not generating sufficient revenue to repay the loan.	Not Corrected	
2016-006	Material Weakness for the lack of sufficient documentation to support sewer charges for services.	Not Corrected	
2016-007	Material Weakness for financial statement adjustments and reclassifications.	Not Corrected	

# OHIO AUDITOR OF STATE KEITH FABER



**VILLAGE OF CENTERVILLE**

**GALLIA COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



**Certified for Release 2/23/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)