

Village of Seaman

Adams County

Regular Audit

January 1, 2005 Through December 31, 2006

Fiscal Years Audited Under GAGAS: 2006 and 2005

BALESTRA, HARR & SCHERER, CPAs, INC.
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Mary Taylor, CPA

Auditor of State

Village Council
Village of Seaman
17806 State Route 247
Seaman, Ohio 45679

We have reviewed the *Independent Auditor's Report* of the Village of Seaman, Adams County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 3, 2007

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VILLAGE OF SEAMAN
ADAMS COUNTY

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INDEPENDENT AUDITOR'S REPORT

Village of Seaman
Adams County
17806 State Route 247
Seaman, Ohio 45679

To the Village Council:

We have audited the accompanying financial statements of the Village of Seaman, Adams County, (the Village) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

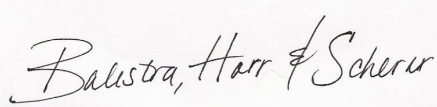
Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 (and for 2005), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005, or their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Seaman, Adams County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2006 and 2005. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2007 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
May 11, 2007

**VILLAGE OF SEAMAN
ADAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$ 124,205	\$ -	\$ -	\$ -	\$124,205
Intergovernmental	31,304	38,982	-	203,450	273,736
Charges for Services	7,938	-	-	-	7,938
Fines, Licenses, and Permits	24,367	1,562	-	-	25,929
Earnings on Investments	620	-	-	-	620
Miscellaneous	13,350	-	-	4,222	17,572
	<u>201,784</u>	<u>40,544</u>	<u>-</u>	<u>207,672</u>	<u>450,000</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons & Property	104,700	10,579	-	-	115,279
Public Health Service	2,835	-	-	-	2,835
General Government	74,321	20,207	-	-	94,528
Capital Outlay	5,625	3,234	-	6,744	15,603
Debt Service:					
Redemption of Principal	-	-	25,493	-	25,493
Interest and Fiscal Charges	-	-	3,665	-	3,665
	<u>187,481</u>	<u>34,020</u>	<u>29,158</u>	<u>6,744</u>	<u>257,403</u>
Total Cash Disbursements					
Total Cash Receipts Over/(Under) Cash Disbursements	14,303	6,524	(29,158)	200,928	192,597
Other Financing Receipts and (Disbursements):					
Proceeds from Sale of Public Debt:					
Transfers-In	-	-	29,158	1,000	30,158
Transfers-Out	(11,000)	-	-	-	(11,000)
	<u>(11,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,000)</u>
Total Other Financing Receipts/(Disbursements)	<u>(11,000)</u>	<u>-</u>	<u>29,158</u>	<u>1,000</u>	<u>19,158</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	3,303	6,524	-	201,928	211,755
Fund Cash Balances, January 1	<u>43,130</u>	<u>13,616</u>	<u>-</u>	<u>11</u>	<u>56,757</u>
Fund Cash Balances, December 31	<u>\$ 46,433</u>	<u>\$ 20,140</u>	<u>\$ -</u>	<u>\$ 201,939</u>	<u>\$ 268,512</u>

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

**VILLAGE OF SEAMAN
ADAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILARY FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 357,849	\$ -	\$ 357,849
Miscellaneous	3,812	-	3,812
Total Operating Cash Receipts	<u>361,661</u>	<u>-</u>	<u>361,661</u>
Operating Cash Disbursements:			
Personal Services	96,582	-	96,582
Contractual Services	161,033	-	161,033
Supplies and Materials	33,278	-	33,278
Other	36,346	-	36,346
Total Operating Cash Disbursements	<u>327,239</u>	<u>-</u>	<u>327,239</u>
Operating Cash Receipts Over/(Under) Operating Cash Disbursements	<u>34,422</u>	<u>-</u>	<u>34,422</u>
Non-Operating Receipts/Disbursements:			
Other Non-Operating Receipts	-	30,407	30,407
Other Non-operating Disbursements	-	(29,719)	(29,719)
Total Non-Operating Receipts/(Disbursements)	<u>-</u>	<u>688</u>	<u>688</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers and Advances	34,422	688	35,110
Transfers - In	10,000	-	10,000
Transfers - Out	(29,158)	-	(29,158)
Net Cash Receipts Over/(Under) Cash Disbursements	15,264	688	15,952
Fund Cash Balances, January 1	<u>61,596</u>	<u>370</u>	<u>61,966</u>
Fund Cash Balances, December 31	<u>\$ 76,860</u>	<u>\$ 1,058</u>	<u>\$ 77,918</u>

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

VILLAGE OF SEAMAN
ADAMS COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$ 96,192	\$ -	\$ -	\$ -	\$96,192
Intergovernmental	33,443	40,296	-	86,535	160,274
Charges for Services	8,450	-	-	-	8,450
Fines, Licenses, and Permits	18,158	121	-	-	18,279
Earnings on Investments	660	-	-	-	660
Miscellaneous	14,131	118	-	-	14,249
	<u>171,034</u>	<u>40,535</u>	<u>-</u>	<u>86,535</u>	<u>298,104</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons & Property	98,168	13,532	-	-	111,700
Public Health Service	2,884	-	-	-	2,884
General Government	47,342	28,876	-	-	76,218
Capital Outlay	1,751	-	-	86,524	88,275
Debt Service:					
Redemption of Principal	-	-	24,991	-	24,991
Interest and Fiscal Charges	-	-	4,218	-	4,218
	<u>150,145</u>	<u>42,408</u>	<u>29,209</u>	<u>86,524</u>	<u>308,286</u>
Total Cash Disbursements					
Total Cash Receipts Over/(Under) Cash Disbursements	20,889	(1,873)	(29,209)	11	(10,182)
Other Financing Receipts and (Disbursements):					
Transfers-In	-	-	29,209	-	29,209
	<u>-</u>	<u>-</u>	<u>29,209</u>	<u>-</u>	<u>29,209</u>
Total Other Financing Receipts/(Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	20,889	(1,873)	-	11	19,027
Fund Cash Balances, January 1	22,241	15,489	-	-	37,730
Fund Cash Balances, December 31	<u>\$ 43,130</u>	<u>\$ 13,616</u>	<u>\$ -</u>	<u>\$ 11</u>	<u>\$ 56,757</u>

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

**VILLAGE OF SEAMAN
ADAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILARY FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 348,977	\$ -	\$ 348,977
Miscellaneous	1,129	-	1,129
Total Operating Cash Receipts	<u>350,106</u>	<u>-</u>	<u>350,106</u>
Operating Cash Disbursements:			
Personal Services	96,745	-	96,745
Contractual Services	143,591	-	143,591
Supplies and Materials	50,349	-	50,349
Capital Outlay	18,324	-	18,324
Total Operating Cash Disbursements	<u>309,009</u>	<u>-</u>	<u>309,009</u>
Operating Cash Receipts Over/(Under) Operating Cash Disbursements	<u>41,097</u>	<u>-</u>	<u>41,097</u>
Non-Operating Receipts/(Disbursements):			
Other Non-Operating Receipts	-	21,216	21,216
Other Non-operating Disbursements	-	(22,555)	(22,555)
Total Non-Operating Receipts/(Disbursements)	<u>-</u>	<u>(1,339)</u>	<u>(1,339)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers and Advances	41,097	(1,339)	39,758
Transfers - Out	<u>(29,209)</u>	<u>-</u>	<u>(29,209)</u>
Net Cash Receipts Over/(Under) Cash Disbursements	11,888	(1,339)	10,549
Fund Cash Balances, January 1	<u>49,708</u>	<u>1,709</u>	<u>51,417</u>
Fund Cash Balances, December 31	<u>\$ 61,596</u>	<u>\$ 370</u>	<u>\$ 61,966</u>

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

**VILLAGE OF SEAMAN
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Seaman, Adams County, Ohio (the Village), is a body corporate and politic 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 publicly-elected six-member Council. The Village provides water and sewer utilities, park operations, road maintenance, street lighting and police services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Deposits

The Village maintains several checking accounts and certificates of deposit which are reported at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

Street Construction, Maintenance and Repair Fund

This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

State Highway Fund

This fund receives gasoline tax and motor vehicle license tax money for maintaining and repairing state highways within the Village.

VILLAGE OF SEAMAN
ADAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2006
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permissive Motor Vehicle License Tax Fund

This fund receives proceeds from taxes levied on all motor vehicle licenses sold in the Village for street maintenance and repairs.

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following debt service fund:

Sewer Debt Fund

Used to retire debt from the Ohio Water Development Authority loan.

4. Capital Project Fund

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had only one capital project fund.

Issue II Fund

Used to account for receipts that are restricted for the acquisition or construction of major capital projects financed through grant funds received from the state.

5. Enterprise Funds

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

Water Operating Fund

Receives charges for services from residents to cover the costs associated with providing the utility.

Sewer Operating Fund

Receives charges for services from residents to cover costs associated with providing the utility.

6. Fiduciary Funds

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a non-expendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

VILLAGE OF SEAMAN
ADAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Agency

Mayor's Court Fund

Account for proceeds of court cases handles by the Mayor's Court.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled.

A summary of 2005 and 2006 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees entitled to cash payments for unused vacation and sick leave in certain circumstances (termination of employment). Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

**VILLAGE OF SEAMAN
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2006
(Continued)**

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	<u>2005</u>	<u>2006</u>
Demand deposits	<u>\$ 118,723</u>	<u>\$ 346,430</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

2006 Budgeted vs. Actual Budgetary Basis Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 215,468	\$ 192,637	\$ (22,831)
Special Revenue	50,715	40,544	(10,171)
Debt Service	30,000	29,158	(842)
Capital Projects	256,710	208,672	(48,038)
Enterprise	427,660	371,661	(55,999)
	<u>\$ 980,553</u>	<u>\$ 842,672</u>	<u>\$ (137,881)</u>

2006 Budgeted vs. Actual Budgetary Basis Disbursements

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 215,468	\$ 198,481	\$ 16,987
Special Revenue	50,715	34,020	16,695
Debt Service	30,000	29,158	842
Capital Projects	207,672	6,744	200,928
Enterprise	427,660	356,397	71,263
	<u>\$ 931,515</u>	<u>\$ 624,800</u>	<u>\$ 306,715</u>

2005 Budgeted vs. Actual Budgetary Basis Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 207,241	\$ 171,034	\$ (36,207)
Special Revenue	44,389	40,535	(3,854)
Debt Service	29,500	29,209	(291)
Capital Projects	86,535	86,535	-
Enterprise	393,770	50,106	(343,664)
	<u>\$ 761,435</u>	<u>\$ 377,419</u>	<u>\$ (384,016)</u>

**VILLAGE OF SEAMAN
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2006
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2005 Budgeted vs. Actual Budgetary Basis Disbursements

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 216,491	\$ 150,145	\$ 66,346
Special Revenue	46,994	42,408	4,586
Debt Service	29,500	29,209	291
Capital Projects	86,535	86,524	11
Enterprise	393,770	338,218	55,552
	<u>\$ 773,290</u>	<u>\$ 646,504</u>	<u>\$ 126,786</u>

4. PROPERTY TAX

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

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

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

5. LITIGATION

The Village currently has no threatened litigation. Village's management believes any potential liability incurred as a result of litigation would be covered by its liability insurance.

**VILLAGE OF SEAMAN
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2006
(Continued)**

6. DEBT

Debt outstanding at December 31, 2006 was as follows:

Ohio Water Development Authority Loan	<u>\$164,079</u>	2%
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The Ohio Water Development Authority loan relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The loans are being repaid in semiannual installments of \$14,579, including interest, over 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. This loan is being repaid from the Debt Service Fund through transfers from the Enterprise Funds.

Amortization of the above debt outstanding as of December 31, 2006, including interest payments of \$10,869 is scheduled as follows:

<u>Year ending December 31:</u>	<u>OWDA Loan</u>
2007	\$ 29,158
2006	29,158
2009	29,158
2010	29,158
2011	29,158
2012	<u>29,158</u>
Total	<u>\$174,948</u>

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost sharing, multiple employer plans. These plans provide retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2006, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of the participant's wages. PERS members contributed 8.5% of their gross salaries to PERS and the Village contributed an amount equal to 13.55% of participant's gross salaries. The Village has paid all contributions required through December 31, 2006.

**VILLAGE OF SEAMAN
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2006
(Continued)**

8. RISK POOL MEMBERSHIP

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation. If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions. The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective local government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2004 and 2005 (the latest information available):

Casualty Coverage	2005	2004
Assets	\$ 29,719,675	\$ 27,437,169
Liabilities	(15,994,168)	(13,880,038)
Retained earnings	<u>\$ 13,725,507</u>	<u>\$ 13,557,131</u>
Property Coverage	2005	2004
Assets	\$ 4,443,332	\$ 3,648,272
Liabilities	(1,068,245)	(540,073)
Retained earnings	<u>\$ 3,375,087</u>	<u>\$ 3,108,199</u>

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Ohio Society of Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Village of Seaman
Adams County
17806 State Route 247
Seaman, Ohio 45679

We have audited the accompanying financial statements of the Village of Seaman, Adams County, Ohio (the Village), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 11, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial report as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Village of Seaman

Adams County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*


Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Village in a separate letter dated May 11, 2007.

This report is intended solely for the information and use of the management and members of the Board and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

May 11, 2007

**VILLAGE OF SEAMAN
ADAMS COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2004-001	Disbursements exceeded appropriations, contrary to Ohio Rev. Code, Section 5705.41(B).	Yes	



Mary Taylor, CPA
Auditor of State

VILLAGE OF SEAMAN

ADAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 16, 2007**