

Village of Seaman

Adams County

Regular Audit

For the Years Ended December 31, 2008-2007



**Balestra, Harr & Scherer, CPAs, Inc.**

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# Mary Taylor, CPA

Auditor of State

Members of Village Council  
Village of Seaman  
P.O. Box 248  
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, 2007 through December 31, 2008. 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

September 16, 2009

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VILLAGE OF SEAMAN  
ADAMS COUNTY

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**Independent Auditor's Report**

Village Council  
Village of Seaman  
Adams County, Ohio  
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, 2008 and 2007. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

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

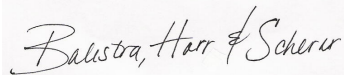
In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007, or its changes in financial position, or cash flows, where applicable, thereof for the years 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, as of the December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

Village of Seaman  
Adams County, Ohio  
Independent Auditor's Report  
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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 July 31, 2009, on our consideration of the Village's internal control over financial reporting and on 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 the 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.



Balestra, Harr & Scherer, CPAs, Inc.  
July 31, 2009



**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, 2008**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property and Local Taxes	\$ 116,126	\$ -	\$ -	\$ -	\$116,126
Intergovernmental	34,746	33,261	-	-	68,007
Charges for Services	8,427	-	-	-	8,427
Fines, Licenses, and Permits	19,893	-	-	-	19,893
Earnings on Investments	833	-	-	-	833
Miscellaneous	5,019	1,289	-	-	6,308
	<u>185,044</u>	<u>34,550</u>	<u>-</u>	<u>-</u>	<u>219,594</u>
<b>Total Cash Receipts</b>					
<b>Cash Disbursements:</b>					
Current:					
Security of Persons & Property	96,423	14,396	-	-	110,819
Public Health Service	2,783	-	-	-	2,783
General Government	65,655	12,667	-	-	78,322
Capital Outlay	4,600	-	-	67,020	71,620
Debt Service:					
Redemption of Principal	-	-	26,542	-	26,542
Interest and Fiscal Charges	-	-	2,630	-	2,630
	<u>169,461</u>	<u>27,063</u>	<u>29,172</u>	<u>67,020</u>	<u>292,716</u>
<b>Total Cash Disbursements</b>					
Total Cash Receipts Over/(Under) Cash Disbursements	15,583	7,487	(29,172)	(67,020)	(73,122)
<b>Other Financing Receipts and (Disbursements):</b>					
Proceeds from Sale of Public Debt:					
Transfer-In	-	-	29,172	-	29,172
	<u>-</u>	<u>-</u>	<u>29,172</u>	<u>-</u>	<u>29,172</u>
<b>Total Other Financing Receipts/(Disbursements)</b>					
	<u>-</u>	<u>-</u>	<u>29,172</u>	<u>-</u>	<u>29,172</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	15,583	7,487	-	(67,020)	(43,950)
Fund Cash Balances, January 1	<u>22,389</u>	<u>11,827</u>	<u>-</u>	<u>97,414</u>	<u>131,630</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 37,972</b></u>	<u><b>\$ 19,314</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 30,394</b></u>	<u><b>\$ 87,680</b></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, 2008**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 403,941	\$ -	\$ 403,941
Miscellaneous	<u>3,423</u>	<u>-</u>	<u>3,423</u>
Total Operating Cash Receipts	<u>407,364</u>	<u>-</u>	<u>407,364</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	97,457	-	97,457
Contractual Services	182,244	-	182,244
Supplies and Materials	35,508	-	35,508
Capital Outlay	<u>21,889</u>	<u>-</u>	<u>21,889</u>
Total Operating Cash Disbursements	<u>337,098</u>	<u>-</u>	<u>337,098</u>
Operating Cash Receipts Over/(Under) Operating Cash Disbursements	<u>70,266</u>	<u>-</u>	<u>70,266</u>
<b>Non-Operating Receipts/Disbursements:</b>			
Other Non-Operating Receipts	-	21,918	21,918
Other Non-operating Disbursements	<u>-</u>	<u>(22,766)</u>	<u>(22,766)</u>
Total Non-Operating Receipts/(Disbursements)	<u>-</u>	<u>(848)</u>	<u>(848)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers and Advances	70,266	(848)	69,418
Transfers - Out	<u>(29,172)</u>	<u>-</u>	<u>(29,172)</u>
Net Cash Receipts Over/(Under) Cash Disbursements	41,094	(848)	40,246
Fund Cash Balances, January 1	<u>97,684</u>	<u>1,947</u>	<u>99,631</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 138,778</u></b>	<b><u>\$ 1,099</u></b>	<b><u>\$ 139,877</u></b>

*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, 2007**

	<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>	
<b>Cash Receipts:</b>					
Property and Local Taxes	\$ 104,170	\$ -	\$ -	\$ -	\$104,170
Intergovernmental	27,034	38,065	-	35,500	100,599
Charges for Services	8,608	-	-	-	8,608
Fines, Licenses, and Permits	20,866	-	-	-	20,866
Earnings on Investments	1,057	-	-	417	1,474
Miscellaneous	2,926	-	-	-	2,926
	<u>164,661</u>	<u>38,065</u>	<u>-</u>	<u>35,917</u>	<u>238,643</u>
<b>Total Cash Receipts</b>					
<b>Cash Disbursements:</b>					
Current:					
Security of Persons & Property	97,335	5,177	-	-	102,512
Public Health Service	2,853	-	-	-	2,853
General Government	65,857	27,851	-	-	93,708
Capital Outlay	22,660	13,350	-	140,442	176,452
Debt Service:					
Redemption of Principal	-	-	26,018	-	26,018
Interest and Fiscal Charges	-	-	3,152	-	3,152
	<u>188,705</u>	<u>46,378</u>	<u>29,170</u>	<u>140,442</u>	<u>404,695</u>
<b>Total Cash Disbursements</b>					
Total Cash Receipts Over/(Under) Cash Disbursements	(24,044)	(8,313)	(29,170)	(104,525)	(166,052)
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In	-	-	29,170	-	29,170
	<u>-</u>	<u>-</u>	<u>29,170</u>	<u>-</u>	<u>29,170</u>
<b>Total Other Financing Receipts/(Disbursements)</b>					
	<u>-</u>	<u>-</u>	<u>29,170</u>	<u>-</u>	<u>29,170</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(24,044)	(8,313)	-	(104,525)	(136,882)
Fund Cash Balances, January 1	46,433	20,140	-	201,939	268,512
<b>Fund Cash Balances, December 31</b>	<u>\$ 22,389</u>	<u>\$ 11,827</u>	<u>\$ -</u>	<u>\$ 97,414</u>	<u>\$ 131,630</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, 2007**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 374,463	\$ -	\$ 374,463
Miscellaneous	2,955	-	2,955
<b>Total Operating Cash Receipts</b>	<u>377,418</u>	<u>-</u>	<u>377,418</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	90,866	-	90,866
Contractual Services	176,753	-	176,753
Supplies and Materials	38,709	-	38,709
Miscellaneous	-	-	-
Capital Outlay	21,096	-	21,096
<b>Total Operating Cash Disbursements</b>	<u>327,424</u>	<u>-</u>	<u>327,424</u>
Operating Cash Receipts Over/(Under) Operating Cash Disbursements	<u>49,994</u>	<u>-</u>	<u>49,994</u>
<b>Non-Operating Receipts/(Disbursements):</b>			
Other Non-Operating Receipts	-	25,255	25,255
Other Non-operating Disbursements	-	(24,366)	(24,366)
<b>Total Non-Operating Receipts/(Disbursements)</b>	<u>-</u>	<u>889</u>	<u>889</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers and Advances	49,994	889	50,883
Transfers - Out	(29,170)	-	(29,170)
Net Cash Receipts Over/(Under) Cash Disbursements	20,824	889	21,713
Fund Cash Balances, January 1	<u>76,860</u>	<u>1,058</u>	<u>77,918</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 97,684</b></u>	<u><b>\$ 1,947</b></u>	<u><b>\$ 99,631</b></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, 2008 AND 2007**

**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, 2008 AND 2007  
(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, 2008 AND 2007  
(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 2007 and 2008 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, 2008 AND 2007  
(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>2008</u>	<u>2007</u>
Demand deposits	<u>\$ 227,557</u>	<u>\$ 231,261</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**

2008 Budgeted vs. Actual Budgetary Basis Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 185,790	\$ 185,044	\$ (746)
Special Revenue	39,680	34,550	(5,130)
Debt Service	-	29,172	29,172
Capital Projects	35,500	-	(35,500)
Enterprise	391,000	407,364	16,364
	<u>\$ 651,970</u>	<u>\$ 656,130</u>	<u>\$ 4,160</u>

2008 Budgeted vs. Actual Budgetary Basis Disbursements

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 248,166	\$ 169,461	\$ 78,705
Special Revenue	40,200	27,063	13,137
Debt Service	-	29,172	(29,172)
Capital Projects	102,500	67,020	35,480
Enterprise	406,000	366,270	39,730
	<u>\$ 796,866</u>	<u>\$ 658,986</u>	<u>\$ 137,880</u>

2007 Budgeted vs. Actual Budgetary Basis Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 186,927	\$ 164,661	\$ (22,266)
Special Revenue	39,200	38,065	(1,135)
Debt Service	-	29,170	29,170
Capital Projects	71,000	35,917	(35,083)
Enterprise	391,000	377,418	(13,582)
	<u>\$ 688,127</u>	<u>\$ 645,231</u>	<u>\$ (42,896)</u>



**VILLAGE OF SEAMAN  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2007 Budgeted vs. Actual Budgetary Basis Disbursements

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 246,599	\$ 188,705	\$ 57,894
Special Revenue	40,200	46,378	(6,178)
Debt Service	-	29,170	(29,170)
Capital Projects	203,450	140,442	63,008
Enterprise	406,000	356,594	49,406
	<u>\$ 896,249</u>	<u>\$ 761,289</u>	<u>\$ 134,960</u>

For 2008 and 2007, budgeted receipts exceeded actual receipts at year end in several funds. Appropriations were in excess of available resources (defined as unencumbered beginning balance + actual receipts) in the general fund in 2008 and 2007 at years end, and in the capital projects fund at 2008 year end. Also, expenditures exceeded appropriations in the debt service fund in 2008 and 2007 and in the special revenue funds in 2007.

**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.

**VILLAGE OF SEAMAN  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2008 was as follows:

Ohio Water Development Authority Loan	<u>\$111,519</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, 2008, including interest payments of \$5,113 is scheduled as follows:

Year ending <u>December 31:</u>	OWDA <u>Loan</u>
2009	29,158
2010	29,158
2011	29,158
2012	<u>29,158</u>
Total	<u>\$116,632</u>

**6. RETIREMENT SYSTEMS**

Some Village Council members have elected to belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement 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 2008 and 2007, OP&F participants contributed 10% and 9.5% respectively, of their wages. The Village contributed an amount equal to 14.0% and 13.85% of participants' gross salaries for 2008 and 2007, respectively. The Village has paid all contributions required through December 31, 2008.

**VILLAGE OF SEAMAN  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**7. RISK POOL MEMBERSHIP**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim 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 \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

**Property Coverage**

Beginning in 2005, APEEP established a risk-sharing property program. Under the Program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence.

This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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 government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**VILLAGE OF SEAMAN  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2008 AND 2007  
(Continued)**

**7. RISK POOL MEMBERSHIP (Continued)**

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available).

	2007	2006
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Retained earnings	<u>\$20,219,246</u>	<u>\$19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$14,899 at December 31, 2007 and \$14,769 at December 31, 2008. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2006	\$8,946
2007	\$9,347
2008	\$8,598

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs to provide coverage. To employees for job related injuries.

# BALESTRA, HARR & SCHERER CPAs, INC.

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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 Council  
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 (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated July 31, 2009, wherein we noted the Village follows the accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting: 2008-01.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

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

Our consideration of the 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 the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiency described above, we believe finding 2008-01 is also a material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated July 31, 2009.


### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-02 through 2008-05.

We did note certain noncompliance or other matters that we reported to management of the Village in a separate letter dated July 31, 2009.

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

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



Balestra, Harr & Scherer, CPAs, Inc.  
July 31, 2009

**VILLAGE OF SEAMAN  
ADAMS COUNTY**

Schedule of Findings and Responses  
For the Fiscal Years Ended December 31, 2008 and 2007

***Finding 2008-01 – Significant Deficiency- Material Weakness***

Material misstatements and reclassifications to the issued financial statements were identified by the Auditor which should have been prevented or detected by the Village's internal controls over financial reporting. The material misstatements were identified in the following areas:

- Miscellaneous Receipts
- Non-operating Receipts
- Non-operating Disbursements

The accompanying financial statements were adjusted to reflect the correction of the material misstatements. The Village should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported.

***Clients Response:***

These shall be applied in the correct area of transaction.

***Finding Number 2008-02***

***Material Noncompliance – Actual Receipts less than Estimated Receipts***

Ohio Rev. Code, Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. ORC Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriations.

For the years ended 2007 and 2008, actual receipts were significantly less than the estimated receipts, reducing available resources below the level of appropriations in the General Fund. The Capital Projects fund in 2008.

Since the expenditure of Village funds is based on the estimated resources, instances when actual receipts do not meet budgetary estimates could lead to overspending.

The Village Fiscal Officer should monitor estimated and actual receipts. When it is apparent that actual receipts will fall short of budgetary estimates, the Village Fiscal Officer should obtain a reduced amended certificate from the County Budget Commission. The Board of Trustees should then make corresponding reductions in appropriations.

***Client Response:***

This shall be monitored more closely from now on.

**VILLAGE OF SEAMAN  
ADAMS COUNTY**

Schedule of Findings and Responses  
For the Fiscal Years Ended December 31, 2008 and 2007

***Finding Number 2008-03***

***Material Noncompliance – Appropriations in Excess of Estimated Resources***

Ohio Revised Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Appropriations were in excess of estimated resources plus unencumbered beginning balances in the following funds at 12/31/07 and 12/31/08:

- General

Appropriations in excess of estimated resources could result in overspending, leading to negative fund balances.

The Village should ensure appropriations and estimated resources are monitored, and that revisions are made as necessary.

***Client Response:***

I will insure that my appropriations do not exceed the estimated resources again for upcoming year.

***Finding Number 2008-04***

***Material Noncompliance – Expenditures in Excess of Appropriations***

Ohio Revised Code Section 5705.41(B) states in part that no subdivision or taxing unit is to expend money unless it has been appropriated.

Expenditures plus outstanding encumbrances were in excess of appropriations in the Debt Service Fund at year end in 2007 and 2008. Special revenue fund in 2007.

Expenditures in excess of appropriations could result in negative fund balances and overspending.

The Village should ensure that annual appropriations are passed timely, appropriations and expenditures are monitored, and that revisions are made as necessary.

***Client Response:***

All appropriations shall be amended correctly from now on.



**VILLAGE OF SEAMAN  
ADAMS COUNTY**

Schedule of Findings and Responses  
For the Fiscal Years Ended December 31, 2008 and 2007

***Finding Number 2008-05***

***Material Noncompliance – Proper Encumbrance of Funds***

Ohio Revised Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. A 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 encumbrance.

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

1. "Then and Now" certificate – if the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certificate ("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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village 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 expenditure by the Village.

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 one particular line item appropriation.
3. Super Blanket Certificate – The Village 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 did not certify the availability of funds or properly utilize the encumbrance method of accounting by certifying funds on purchase orders.

The Village should certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The fiscal officer should also post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**VILLAGE OF SEAMAN  
ADAMS COUNTY**

Schedule of Findings and Responses  
For the Fiscal Years Ended December 31, 2008 and 2007

***Finding Number 2008-08 (continued)***

***Material Noncompliance – Proper Encumbrance of Funds***

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 limitation, the Fiscal Officer should certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

***Client Response:***

I will start using "then and now" certificates.



**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  
SEPTEMBER 29, 2009**