

Village of Seaman

Adams County

Regular Audit

For the Years Ended December 31, 2010 and 2009



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

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# Dave Yost • 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, 2009 through December 31, 2010. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

June 3, 2011

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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, 2010 and 2009. 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, 2010 and 2009, 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, 2010 and 2009, or its changes in financial position or cash flows, where applicable 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 of Seaman, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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Village of Seaman  
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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 April 22, 2011, 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.  
April 22, 2011



**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, 2010**

	<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	\$ 98,232	\$ -	\$ -	\$ -	\$ 98,232
Intergovernmental	48,938	172,113	-	-	221,051
Charges for Services	8,640	-	-	-	8,640
Fines, Licenses, and Permits	21,638	-	-	-	21,638
Earnings on Investments	534	-	-	-	534
	<u>177,982</u>	<u>172,113</u>	<u>-</u>	<u>-</u>	<u>350,095</u>
<b>Total Cash Receipts</b>					
<b>Cash Disbursements:</b>					
Current:					
Security of Persons & Property	98,350	13,558	-	-	111,908
Public Health Service	4,745	-	-	-	4,745
General Government	52,040	17,148	-	-	69,188
Capital Outlay	11,804	154,726	-	2,671	169,201
Debt Service:					
Redemption of Principal	-	-	27,606	-	27,606
Interest and Fiscal Charges	-	-	1,552	-	1,552
	<u>166,939</u>	<u>185,432</u>	<u>29,158</u>	<u>2,671</u>	<u>384,200</u>
<b>Total Cash Disbursements</b>					
Total Cash Receipts Over/(Under) Cash Disbursements	11,043	(13,319)	(29,158)	(2,671)	(34,105)
<b>Other Financing Receipts and (Disbursements):</b>					
Transfer-In	-	-	29,158	-	29,158
	<u>-</u>	<u>-</u>	<u>29,158</u>	<u>-</u>	<u>29,158</u>
<b>Total Other Financing Receipts/(Disbursements)</b>					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	11,043	(13,319)	-	(2,671)	(4,947)
Fund Cash Balances, January 1	<u>38,139</u>	<u>18,968</u>	<u>-</u>	<u>2,671</u>	<u>59,778</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 49,182</b></u>	<u><b>\$ 5,649</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 54,831</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 SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<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	\$ 404,585	\$ -	\$ 404,585
Miscellaneous	<u>1,368</u>	<u>-</u>	<u>1,368</u>
Total Operating Cash Receipts	<u>405,953</u>	<u>-</u>	<u>405,953</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	120,673	-	120,673
Contractual Services	204,410	-	204,410
Supplies and Materials	12,049	-	12,049
Capital Outlay	<u>26,428</u>	<u>-</u>	<u>26,428</u>
Total Operating Cash Disbursements	<u>363,560</u>	<u>-</u>	<u>363,560</u>
Operating Cash Receipts Over/(Under)	<u>42,393</u>	<u>-</u>	<u>42,393</u>
<b>Non-Operating Receipts/Disbursements:</b>			
Other Non-Operating Receipts	-	25,784	25,784
Other Non-operating Disbursements	<u>-</u>	<u>(25,925)</u>	<u>(25,925)</u>
Total Non-Operating Receipts/(Disbursements)	<u>-</u>	<u>(141)</u>	<u>(141)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers and Advances	42,393	(141)	42,252
Transfers - Out	<u>(29,158)</u>	<u>-</u>	<u>(29,158)</u>
Net Cash Receipts Over/(Under) Cash Disbursements	13,235	(141)	13,094
Fund Cash Balances, January 1	<u>169,220</u>	<u>2,378</u>	<u>171,598</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$ 182,455</u></u></b>	<b><u><u>\$ 2,237</u></u></b>	<b><u><u>\$ 184,692</u></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, 2009**

	<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	\$ 89,255	\$ -	\$ -	\$ -	\$ 89,255
Intergovernmental	48,823	34,857	-	-	83,680
Charges for Services	8,440	-	-	-	8,440
Fines, Licenses, and Permits	13,010	-	-	-	13,010
Earnings on Investments	684	-	-	-	684
Miscellaneous	4,719	165	-	-	4,884
	<u>164,931</u>	<u>35,022</u>	<u>-</u>	<u>-</u>	<u>199,953</u>
<b>Total Cash Receipts</b>					
<b>Cash Disbursements:</b>					
Current:					
Security of Persons & Property	99,402	8,247	-	-	107,649
Public Health Service	4,607	-	-	-	4,607
General Government	57,226	17,859	-	-	75,085
Capital Outlay	2,784	10,007	-	27,723	40,514
Debt Service:					
Redemption of Principal	-	-	27,062	-	27,062
Interest and Fiscal Charges	-	-	2,096	-	2,096
	<u>164,019</u>	<u>36,113</u>	<u>29,158</u>	<u>27,723</u>	<u>257,013</u>
<b>Total Cash Disbursements</b>					
Total Cash Receipts Over/(Under) Cash Disbursements	912	(1,091)	(29,158)	(27,723)	(57,060)
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In	-	745	29,158	-	29,903
Transfers-Out	(745)	-	-	-	(745)
	<u>(745)</u>	<u>745</u>	<u>29,158</u>	<u>-</u>	<u>29,158</u>
<b>Total Other Financing Receipts/(Disbursements)</b>					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	167	(346)	-	(27,723)	(27,902)
Fund Cash Balances, January 1	37,972	19,314	-	30,394	87,680
<b>Fund Cash Balances, December 31</b>	<u>\$ 38,139</u>	<u>\$ 18,968</u>	<u>\$ -</u>	<u>\$ 2,671</u>	<u>\$ 59,778</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 SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<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	\$ 395,730	\$ -	\$ 395,730
Miscellaneous	<u>1,090</u>	<u>-</u>	<u>1,090</u>
Total Operating Cash Receipts	<u>396,820</u>	<u>-</u>	<u>396,820</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	97,829	-	97,829
Contractual Services	197,990	-	197,990
Supplies and Materials	25,884	-	25,884
Capital Outlay	<u>15,517</u>	<u>-</u>	<u>15,517</u>
Total Operating Cash Disbursements	<u>337,220</u>	<u>-</u>	<u>337,220</u>
Operating Cash Receipts Over/(Under)	<u>59,600</u>	<u>-</u>	<u>59,600</u>
<b>Non-Operating Receipts/(Disbursements):</b>			
Other Non-Operating Receipts	-	17,708	17,708
Other Non-operating Disbursements	<u>-</u>	<u>(16,429)</u>	<u>(16,429)</u>
Total Non-Operating Receipts/(Disbursements)	<u>-</u>	<u>1,279</u>	<u>1,279</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers and Advances	59,600	1,279	60,879
Transfers - Out	<u>(29,158)</u>	<u>-</u>	<u>(29,158)</u>
Net Cash Receipts Over/(Under) Cash Disbursements	30,442	1,279	31,721
Fund Cash Balances, January 1	<u>138,778</u>	<u>1,099</u>	<u>139,877</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 169,220</u></b>	<b><u>\$ 2,378</u></b>	<b><u>\$ 171,598</u></b>

*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, 2010 AND 2009**

**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, 2010 AND 2009  
(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**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own Programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for proceeds of court cases handled by the Mayor's Court.

**VILLAGE OF SEAMAN  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 2009 and 2010 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:

	<b>2010</b>	<b>2009</b>
Demand deposits	\$ 239,523	\$ 231,376

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

**3. BUDGETARY ACTIVITY**

2010 Budgeted vs. Actual Budgetary Basis Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 172,460	\$ 177,982	\$ 5,522
Special Revenue	174,026	172,113	(1,913)
Debt Service	30,000	29,158	(842)
Capital Projects	-	-	-
Enterprise	365,000	405,953	40,953
	\$ 741,486	\$ 785,206	\$ 43,720

2010 Budgeted vs. Actual Budgetary Basis Disbursements

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 210,602	\$ 166,939	\$ 43,663
Special Revenue	185,432	185,432	-
Debt Service	30,000	29,158	842
Capital Projects	4,600	2,671	1,929
Enterprise	401,500	392,718	8,782
	\$ 832,134	\$ 776,918	\$ 55,216

2009 Budgeted vs. Actual Budgetary Basis Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 169,915	\$ 164,931	\$ (4,984)
Special Revenue	41,045	35,767	(5,278)
Debt Service	30,000	29,158	(842)
Capital Projects	-	-	-
Enterprise	365,000	396,820	31,820
	\$ 605,960	\$ 626,676	\$ 20,716



**VILLAGE OF SEAMAN  
ADAMS COUNTY**

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

**3. BUDGETARY ACTIVITY (Continued)**

2009 Budgeted vs. Actual Budgetary Basis Disbursements

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 176,942	\$ 164,764	\$ 12,178
Special Revenue	40,600	36,113	4,487
Debt Service	30,000	29,158	842
Capital Projects	30,384	27,723	2,661
Enterprise	385,000	366,378	18,622
	<u>\$ 662,926</u>	<u>\$ 624,136</u>	<u>\$ 38,790</u>

Expenditures exceeded appropriations in the Water Fund and State Highway Funds at December 31, 2010 and in the Water Funds at December 31, 2009.

**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, 2010 AND 2009  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2010 was as follows:

Ohio Water Development Authority Loan	<u>\$56,851</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, 2010, including interest payments of \$1,438 is scheduled as follows:

Year ending <u>December 31:</u>	OWDA <u>Loan</u>
2011	29,158
2012	<u>29,158</u>
Total	<u>\$ 58,316</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 2010 and 2009, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 14% of participants' gross salaries for 2010 and 2009. The Village has paid all contributions required through December 31, 2010.

**VILLAGE OF SEAMAN  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(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**

PEP retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$350,000, up to \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage, from \$3,000,000 to \$13,000,000, from General Reinsurance Corporation.

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 \$10,000,000.

**Property Coverage**

Beginning in 2005, APEEP established a risk-sharing property program. Under the Program, Travelers reinsures specific losses exceeding \$500,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$150,000 up to \$500,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop-loss coverage based upon the combined PEP members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600,000,000 per occurrence limit.

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.

**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, 2009 and 2008 (the latest information available).

	2009	2008
Assets	\$36,374,898	\$ 35,769,535
Liabilities	(15,256,862)	(15,310,206)
Retained Earnings	\$21,118,036	\$ 20,459,329

**VILLAGE OF SEAMAN  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2010 AND 2009  
(Continued)**

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

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

<u>Contributions to PEP</u>	
2008	\$8,598
2009	\$14,446
2010	\$14,058

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.



**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *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, 2010 and 2009, and have issued our report thereon dated April 22, 2011, 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness and another deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-02 described in the accompanying schedule of findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2010-01 described in the accompanying schedule of findings to be a significant deficiency.

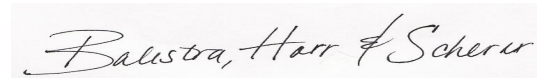
### **Compliance and Other Matters**

As part of reasonably assuring whether the Government'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 an instance of noncompliance or other matters we must report under Government Auditing Standards which is described in the accompanying schedule of findings as item 2010-03.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated April 22, 2011.

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

We intended this report solely for the information and use of management, the Board of Trustees and others within the Village. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
April 22, 2011

**VILLAGE OF SEAMAN  
ADAMS COUNTY**

Schedule of Findings and Responses  
For the Fiscal Years Ended December 31, 2010 and 2009

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2010-01**

**Significant Deficiencies**

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 2010-02**

**Material Weakness**

The size of the Village's staff did not allow for an adequate segregation of duties; the Village's Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling of the Village's accounts, the Utility accounts and the Mayor's Court accounts. It is therefore important that the Village's Council monitor financial activity closely. The Village's Council did not indicate that they had review financial reports. No ledgers appeared to have been reviewed. Bank reconciliations were not reviewed by anyone other than the preparer. There were no processes or procedures in place to ensure transactions were posted in the proper period. No processes existed to identify unusual fluctuations between accounts or between fiscal years.

Monitoring controls should assist management in detecting material misstatements in the financial or other information presented. Such controls may include, but are not limited to, the following reviews by the Village Council:

- Monthly review of budget and actual activity including required submission of budgetary reports;
- Monthly review of unusual or significant items on the bank-to-book reconciliation, such as long outstanding checks or deposits;
- Planning for adequate segregation of duties or compensating controls;
- Ensuring the accounting records are properly designed.

The Village has not implemented an effective monitoring control system which would assist management in detecting material misstatements in financial or other information.

The Village should develop and implement a monitoring control system to prevent material misstatements or misappropriation of funds from occurring.

***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, 2010 and 2009

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

**Finding Number 2010-03**

**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 Water Fund in 2009 and in the Street, Highway and Water fund in 2010.

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  
DECEMBER 31, 2010 AND 2009**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2008-01	Material Weakness – Audit adjustments	No	Reissued as 2010-01
2008-02	ORC Section 5705.36 Actual receipts less than estimated receipts	No	Reissued in Management Letter
2008-03	ORC Section 5705.39 Appropriations in Excess of Estimated Resources	No	Reissued in Management Letter
2008-04	ORC Section 5705.41(B) Expenditures in excess of appropriations	No	Reissued as 2010-03
2008-05	ORC Section 5705.41(D) Proper Encumbrance of funds	No	Partially Corrected reissued in Management Letter

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# Dave Yost • 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  
JUNE 16, 2011