



**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF SEVEN MILE
BUTLER COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Village of Seven Mile
Butler County
201 High Street
P. O. Box 259
Seven Mile, Ohio 45062

To the Village Council:

We have audited the accompanying financial statements of the Village of Seven Mile, Butler County, Ohio (the Village), as of and for the years ended December 31, 2000 and 1999. 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 generally accepted auditing standards 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 discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management and the Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

May 4, 2001

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property Tax	\$32,925		\$20,168		\$53,093
Intergovernmental Receipts	58,922	23,844	2,660	68,182	153,608
Charges for Services	8,160	36,308			44,468
Fines, Licenses, and Permits	16,691				16,691
Earnings on Investments	7,125	1,073			8,198
Miscellaneous	1,140	3,495			4,635
Total Cash Receipts	<u>124,963</u>	<u>64,720</u>	<u>22,828</u>	<u>68,182</u>	<u>280,693</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	38,992	16,142			55,134
Public Health Services	279				279
Transportation		4,916			4,916
General Government	58,111		668		58,779
Debt Service:					
Principal Payments			17,000		17,000
Interest Payments			5,335		5,335
Capital Outlay	13,269	18,857		68,182	100,308
Total Cash Disbursements	<u>110,651</u>	<u>39,915</u>	<u>23,003</u>	<u>68,182</u>	<u>241,751</u>
Total Receipts Over/(Under) Disbursements	<u>14,312</u>	<u>24,805</u>	<u>(175)</u>	<u>0</u>	<u>38,942</u>
Other Financing Receipts/(Disbursements):					
Transfers-In		1,151			1,151
Transfers-Out	(3,128)				(3,128)
Total Other Financing Receipts/(Disbursements)	<u>(3,128)</u>	<u>1,151</u>	<u>0</u>	<u>0</u>	<u>(1,977)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>11,184</u>	<u>25,956</u>	<u>(175)</u>	<u>0</u>	<u>36,965</u>
Fund Cash Balances January 1	<u>50,190</u>	<u>117,172</u>	<u>13,076</u>	<u>0</u>	<u>180,438</u>
Fund Cash Balances, December 31	<u>\$61,374</u>	<u>\$143,128</u>	<u>\$12,901</u>	<u>\$0</u>	<u>\$217,403</u>
Reserves for Encumbrances, December 31	<u>\$3,830</u>	<u>\$1,915</u>	<u>\$0</u>	<u>\$0</u>	<u>\$5,745</u>

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

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE AND AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<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	\$118,325		118,325
Total Operating Cash Receipts	118,325	0	118,325
Operating Cash Disbursements:			
Personal Services	10,120		10,120
Fringe Benefits	1,295		1,295
Supplies and Materials	65,394		65,394
Total Operating Cash Disbursements	76,809	0	76,809
Operating Income/(Loss)	41,516	0	41,516
Non-Operating Cash Receipts:			
Other Non-Operating Cash Receipts		16,121	16,121
Total Non-Operating Cash Receipts	0	16,121	16,121
Non-Operating Cash Disbursements:			
Debt Service- Principal	18,556		18,556
Debt Service- Interest	15,122		15,122
Other Non-Operating Cash Disbursements		16,121	16,121
Total Non-Operating Cash Disbursements	33,678	16,121	49,799
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	7,838	0	7,838
Transfers-In	1,977		1,977
Net Receipts Over/(Under) Disbursements	9,815	0	9,815
Fund Cash Balances, January 1	82,271	0	82,271
Fund Cash Balances, December 31	<u>\$92,086</u>	<u>\$0</u>	<u>\$92,086</u>
Reserve for Encumbrances, December 31	<u>\$115</u>	<u>\$0</u>	<u>\$115</u>

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

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property Tax	\$30,333		\$23,269		\$53,602
Intergovernmental Receipts	53,054	22,254	3,100	183,405	261,813
Charges for Services	8,160	17,725			25,885
Fines, Licenses, and Permits	13,305				13,305
Earnings on Investments	6,539	549	58		7,146
Miscellaneous	345	1,060			1,405
Total Cash Receipts	<u>111,736</u>	<u>41,588</u>	<u>26,427</u>	<u>183,405</u>	<u>363,156</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	41,571	12,334			53,905
Public Health Services	281				281
Transportation		5,950			5,950
General Government	67,253		682		67,935
Debt Service:					
Principal Payments			17,000		17,000
Interest Payments			6,410		6,410
Capital Outlay	757			183,405	184,162
Total Cash Disbursements	<u>109,862</u>	<u>18,284</u>	<u>24,092</u>	<u>183,405</u>	<u>335,643</u>
Total Receipts Over/(Under) Disbursements	<u>1,874</u>	<u>23,304</u>	<u>2,335</u>	<u>0</u>	<u>27,513</u>
Other Financing Receipts/(Disbursements):					
Transfers-In		111			111
Transfers-Out	(1,842)				(1,842)
Other Financing Sources/Uses	345				345
Total Other Financing Receipts/(Disbursements)	<u>(1,497)</u>	<u>111</u>	<u>0</u>	<u>0</u>	<u>(1,386)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>377</u>	<u>23,415</u>	<u>2,335</u>	<u>0</u>	<u>26,127</u>
Fund Cash Balances January 1	<u>49,813</u>	<u>93,757</u>	<u>10,741</u>	<u>0</u>	<u>154,311</u>
Fund Cash Balances, December 31	<u>\$50,190</u>	<u>\$117,172</u>	<u>\$13,076</u>	<u>\$0</u>	<u>\$180,438</u>
Reserves for Encumbrances, December 31	<u>\$2,585</u>	<u>\$3,208</u>	<u>\$0</u>	<u>\$0</u>	<u>\$5,793</u>

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

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE AND AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<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	\$130,166	\$0	\$130,166
Miscellaneous	100		100
	<u>130,266</u>	<u>0</u>	<u>130,266</u>
Total Operating Cash Receipts			
Operating Cash Disbursements:			
Personal Services	9,334		9,334
Fringe Benefits	1,241		1,241
Supplies and Materials	68,972		68,972
	<u>79,547</u>	<u>0</u>	<u>79,547</u>
Total Operating Cash Disbursements			
Operating Income/(Loss)	<u>50,719</u>	<u>0</u>	<u>50,719</u>
Non-Operating Cash Receipts:			
Other Non-Operating Cash Receipts		11,073	11,073
	<u>0</u>	<u>11,073</u>	<u>11,073</u>
Total Non-Operating Cash Receipts			
Non-Operating Cash Disbursements:			
Debt Service - Principal	18,068		18,068
Debt Service - Interest	15,608		15,608
Other Non-Operating Cash Disbursements		11,073	11,073
	<u>33,676</u>	<u>11,073</u>	<u>44,749</u>
Total Non-Operating Cash Disbursements			
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	17,043	0	17,043
Transfers-In	1,731		1,731
Net Receipts Over/(Under) Disbursements	18,774	0	18,774
Fund Cash Balances, January 1	63,497	0	63,497
Fund Cash Balances, December 31	<u>\$82,271</u>	<u>\$0</u>	<u>\$82,271</u>
Reserve for Encumbrances, December 31	<u>\$288</u>	<u>\$0</u>	<u>\$288</u>

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

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Seven Mile, Butler 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 general governmental services, including water utilities, fire and ambulance services, 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

Certificates of deposit are valued 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 Funds

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.

Life Squad Fund - This fund receives funds earmarked for the purchasing of life saving equipment for the safety of the Village.

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service Funds:

Fire Debt Fund - This fund is used to repay the debt issued for the purchase of fire truck.

Life Squad Debt Fund - This fund is used to repay the debt issued for payment of life squad bonds.

4. Capital Project Funds

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 the following significant Capital Project Fund:

Capital Project Fund - This fund received grant money for constructing, maintaining and repairing Village streets.

5. Enterprise Funds

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

Water Works Fund - This fund receives charges for services from residents and non-residents to cover the cost of providing this utility. This fund also received loan proceeds from the Ohio Water Development Authority. The debt is being repaid from the revenue from the Water Department.

6. Fiduciary Funds (Agency Funds)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Agency Fund:

Mayor's Court Fund - This agency fund accounts for the Village court activity.

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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 carried over, and need not be reappropriated.

A summary of 2000 and 1999 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 are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

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 and investments. The carrying amount of deposits at December 31 was as follows:

	<u>2000</u>	<u>1999</u>
Demand deposits	\$ 200,505	\$ 183,725
Certificates of deposit	<u>108,984</u>	<u>78,984</u>
Total deposits	<u>\$ 309,489</u>	<u>\$ 262,709</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 121,243	\$ 124,963	\$ 3,720
Special Revenue	64,150	65,871	1,721
Debt Service	23,267	22,828	(439)
Capital Projects	68,182	68,182	0
Enterprise	131,000	120,302	(10,698)
Total	<u>\$ 407,842</u>	<u>\$ 402,146</u>	<u>\$ (5,696)</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 171,431	\$ 117,609	\$ 53,822
Special Revenue	165,170	41,830	123,340
Debt Service	26,267	23,003	3,264
Capital Projects	68,182	68,182	0
Enterprise	213,270	110,602	102,668
Total	<u>\$ 644,320</u>	<u>\$ 361,226</u>	<u>\$ 283,094</u>

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 113,193	\$ 112,081	\$ (1,112)
Special Revenue	32,080	41,699	9,619
Debt Service	23,267	26,427	3,160
Capital Projects	0	183,405	183,405
Enterprise	130,000	131,997	1,997
Total	<u>\$ 298,540</u>	<u>\$ 495,609</u>	<u>\$ 197,069</u>

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 187,061	\$ 114,289	\$ 72,772
Special Revenue	100,581	21,492	79,089
Debt Service	25,167	24,092	1,075
Capital Projects	0	183,405	(183,405)
Enterprise	193,496	113,511	79,985
Total	\$ 506,305	\$ 456,789	\$ 49,516

The Village did not establish a fund and appropriate for grant monies received from Community Development grants during fiscal year 1999, contrary to Ohio law. The financial statements have been adjusted to reflect the related receipts and expenditures in 1999.

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. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
1995 Ohio Water Development Authority Loan #0243	\$ 315,226	2.00%
1995 Ohio Water Development Authority Loan #0243S	40,994	2.00%
1997 Ohio Water Development Authority Loan #5023	119,998	6.24%
1991 Fire Truck Bonds	13,000	6.50%
1997 Life Squad Bonds	65,000	5.15%
Total	\$ 554,218	

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

5. DEBT (Continued)

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The Village received the proceeds from three separate loans from the Ohio Water Development Authority (OWDA) of \$392,530, \$136,929, and \$44,483 to improve the Village's existing water treatment plant. These loans were to be repaid over a period of twenty-five years. Interest is paid semi-annually, and the principal is paid annually. The loans are collateralized by revenue receipted from residents for the cost of providing water utilities. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

In December 1991, the Village issued \$100,000 of revenue bonds for the purchase of a new fire truck. These bonds were to be repaid over a period of ten years. Interest is paid semi-annually and bonds are paid annually with revenue received from real estate and property taxes.

In March 1997, the Village issued \$80,000 of revenue bonds for the purchase of a new ambulance. These bonds were to be repaid over a period of ten years. Interest is paid semi-annually and bonds are paid annually with revenue received from real estate and property taxes.

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

Year ending December 31:	OWDA Loan #0243	OWDA Loan #0243S	OWDA Loan #0523	Fire Truck Bonds	Life Squad Bonds
2001	\$ 20,105	\$ 2,615	\$ 10,957	\$ 13,845	\$ 8,347
2002	20,105	2,615	10,957		13,090
2003	20,105	2,615	10,957		12,575
2004	20,105	2,615	10,957		12,060
2005	20,105	2,615	10,957		11,545
Subsequent	<u>281,470</u>	<u>36,610</u>	<u>153,398</u>		<u>21,545</u>
Total	<u>\$ 381,995</u>	<u>\$ 49,685</u>	<u>\$ 208,183</u>	<u>\$ 13,845</u>	<u>\$ 79,162</u>

6. 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 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 2000 and 1999, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 24% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an average rate of 10.84% for fiscal year 2000 and 13.55% for fiscal year 1999 of participants' gross salaries. The Village has paid all contributions required through December 31, 2000.

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Village of Seven Mile
Butler County
201 High Street
P. O. Box 259
Seven Mile, Ohio 45062

To the Village Council:

We have audited the accompanying financial statements of the Village of Seven Mile, Butler County, Ohio (the Village), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 4, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-30409-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 4, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 4, 2001.

Village of Seven Mile
Butler County
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

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

Jim Petro
Auditor of State

May 4, 2001

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

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

FINDING NUMBER 2000-30409-001

Noncompliance Citation

Ohio Rev. Code, Section 5705.09(F), requires the Village to established a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

During fiscal year 1999, the Village participated in two Community Development Grant Funding Programs. Under these programs the State expended \$183,405, on behalf of the Village. The Village failed to establish Capital Project funds and failed to include these monies within its annual budget.

The grants of \$183,405 have been recorded on the audited financial statements for the year ended December 31, 1999.

Auditor of State Bulletin 2000-008 provides guidance for "On-Behalf-Of" Grants. This Bulletin directs that the fiscal officer shall record the appropriations in accordance with the terms and conditions of the grant or project agreement. In addition, prior to recording the appropriations, Ohio Rev. Code, Section 5705.40 requires the legislative authority to pass a resolution amending its appropriation measure.



STATE OF OHIO
OFFICE OF THE AUDITOR

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VILLAGE OF SEVEN MILE

BUTLER 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
JULY 10, 2001**