

Village of Seaman

Adams County

Regular Audit

January 1, 2003 Through December 31, 2004

Fiscal Years Audited Under GAGAS: 2004 and 2003

BALESTRA, HARR & SCHERER, CPAs, INC.
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**Auditor of State
Betty Montgomery**

Members of 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, 2003 through December 31, 2004. 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's Office (AOS). 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 AOS 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 AOS 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.

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BETTY MONTGOMERY
Auditor of State

January 17, 2006

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VILLAGE OF SEAMAN
ADAMS COUNTY

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Seaman, Adams County, (the Village) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

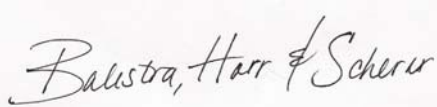
Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and for 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 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, 2004, or their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Seaman, Adams County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 September 28, 2005 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Balestra, Harr & Scherer, CPAs, Inc.
September 28, 2005

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, 2004**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$ 91,703	\$ 4,241	\$ -	\$ -	\$ 95,944
Intergovernmental Receipts	44,131	31,964	-	-	76,095
Charges for Services	5,533	-	-	-	5,533
Fines, Licenses, and Permits	29,104	315	-	-	29,419
Miscellaneous	9,704	-	-	-	9,704
	<u>180,175</u>	<u>36,520</u>	<u>-</u>	<u>-</u>	<u>216,695</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property	96,260	13,284	-	-	109,544
Public Health Services	2,887	-	-	-	2,887
Transportation	-	11,684	-	-	11,684
General Government	58,888	3,152	-	-	62,040
Debt Service:					
Principal Payments	30,000	-	24,545	-	54,545
Interest Payments	383	-	4,733	-	5,116
Capital Outlay	-	-	-	997	997
	<u>188,418</u>	<u>28,120</u>	<u>29,278</u>	<u>997</u>	<u>246,813</u>
Total Cash Disbursements					
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(8,243)</u>	<u>8,400</u>	<u>(29,278)</u>	<u>(997)</u>	<u>(30,118)</u>
Other Financing Receipts and (Disbursements):					
Proceeds from the Sale of Revenue Anticipation Notes	30,000	-	-	-	30,000
Transfers-In	-	-	29,278	-	29,278
Advances-Out	(7,000)	-	-	-	(7,000)
Total Other Financing Receipts/(Disbursements)	<u>23,000</u>	<u>-</u>	<u>29,278</u>	<u>-</u>	<u>52,278</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Receipts and Disbursements	14,757	8,400	-	(997)	22,160
Fund Cash Balances, January 1	<u>7,484</u>	<u>7,089</u>	<u>-</u>	<u>997</u>	<u>15,570</u>
Fund Cash Balances, December 31	<u>\$ 22,241</u>	<u>\$ 15,489</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,730</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
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<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	\$ 340,018	\$ -	\$ 340,018
Miscellaneous	189	-	189
Total Operating Cash Receipts	<u>340,207</u>	<u>-</u>	<u>340,207</u>
Operating Cash Disbursements:			
Personal Services	109,781	-	109,781
Contractual Services	134,095	-	134,095
Supplies and Materials	49,939	-	49,939
Capital Outlay	1,823	-	1,823
Total Operating Cash Disbursements	<u>295,638</u>	<u>-</u>	<u>295,638</u>
Operating Cash Receipts Over/(Under) Operating Cash Disbursements	<u>44,569</u>	<u>-</u>	<u>44,569</u>
Non-Operating Cash Receipts:			
Other Non-Operating Cash Receipts	-	34,575	34,575
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	-	35,610	35,610
Total Non-Operating Cash Disbursements	<u>-</u>	<u>35,610</u>	<u>35,610</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers and Advances	44,569	(1,035)	43,534
Advances-In	7,000	-	7,000
Transfers-Out	<u>(29,278)</u>	<u>-</u>	<u>(29,278)</u>
Net Cash Receipts Over/(Under) Cash Disbursements	22,291	(1,035)	21,256
Fund Cash Balances, January 1	<u>27,417</u>	<u>2,744</u>	<u>30,161</u>
Fund Cash Balances, December 31	<u>\$ 49,708</u>	<u>\$ 1,709</u>	<u>\$ 51,417</u>

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

VILLAGE OF SEAMAN
ADAMS COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$ 83,956	\$ 4,056	\$ -	\$ -	\$88,012
Intergovernmental Receipts	35,535	26,865	-	166,130	228,530
Charges for Services	5,664	-	-	-	5,664
Fines, Licenses, and Permits	41,332	96	-	-	41,428
Earnings on Investments	219	-	-	-	219
Miscellaneous	7,640	-	-	-	7,640
Total Cash Receipts	<u>174,346</u>	<u>31,017</u>	<u>-</u>	<u>166,130</u>	<u>371,493</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	104,598	11,802	-	-	116,400
Public Health Services	2,742	-	-	-	2,742
Transportation	-	20,483	-	-	20,483
General Government	63,082	6,220	-	-	69,302
Debt Service:					
Principal Payments	-	-	23,970	-	23,970
Interest Payments	-	-	5,244	-	5,244
Capital Outlay	-	-	-	165,133	165,133
Total Cash Disbursements	<u>170,422</u>	<u>38,505</u>	<u>29,214</u>	<u>165,133</u>	<u>403,274</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>3,924</u>	<u>(7,488)</u>	<u>(29,214)</u>	<u>997</u>	<u>(31,781)</u>
Other Financing Receipts and (Disbursements):					
Transfers In	-	1,254	29,214	-	30,468
Transfers Out	(1,254)	-	-	-	(1,254)
Total Other Financing Receipts and (Disbursements)	<u>(1,254)</u>	<u>1,254</u>	<u>29,214</u>	<u>-</u>	<u>29,214</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Receipts and Disbursements	2,670	(6,234)	-	997	(2,567)
Fund Cash Balances, January 1	<u>4,814</u>	<u>13,323</u>	<u>-</u>	<u>-</u>	<u>18,137</u>
Fund Cash Balances, December 31	<u>\$ 7,484</u>	<u>\$ 7,089</u>	<u>\$ -</u>	<u>\$ 997</u>	<u>\$ 15,570</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
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<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	\$ 342,643	\$ -	\$ 342,643
Total Operating Cash Receipts	<u>342,643</u>	<u>-</u>	<u>342,643</u>
Operating Cash Disbursements:			
Personal Services	91,597	-	91,597
Contractual Services	191,511	-	191,511
Supplies and Materials	<u>23,780</u>	<u>-</u>	<u>23,780</u>
Total Operating Cash Disbursements	<u>306,888</u>	<u>-</u>	<u>306,888</u>
Operating Cash Receipts Over/(Under) Operating Cash Disbursements	<u>35,755</u>	<u>-</u>	<u>35,755</u>
Non-Operating Cash Receipts:			
Other Non-Operating Cash Receipts	<u>-</u>	<u>47,682</u>	<u>47,682</u>
Non-Operating Cash Disbursements:			
Debt Service			
Principal	3,916	-	3,916
Interest	79	-	79
Other Non-Operating Cash Disbursements	<u>-</u>	<u>49,590</u>	<u>49,590</u>
Total Non-Operating Cash Disbursements	<u>3,995</u>	<u>49,590</u>	<u>53,585</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers and Advances	31,760	(1,908)	29,852
Transfers-Out	<u>(29,214)</u>	<u>-</u>	<u>(29,214)</u>
Net Cash Receipts Over/(Under) Cash Disbursements	2,546	(1,908)	638
Fund Cash Balances, January 1	<u>24,871</u>	<u>4,652</u>	<u>29,523</u>
Fund Cash Balances, December 31	<u><u>\$ 27,417</u></u>	<u><u>\$ 2,744</u></u>	<u><u>\$ 30,161</u></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, 2004 AND 2003**

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, 2004 AND 2003
(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, 2004 AND 2003
(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 2004 and 2003 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, 2004 AND 2003
(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>2004</u>	<u>2003</u>
Demand deposits	<u>\$ 89,147</u>	<u>\$ 45,731</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

2004 Budgeted vs. Actual Budgetary Basis Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 193,080	\$ 210,175	\$ 17,095
Special Revenue	26,500	\$ 36,520	10,020
Debt Service	29,278	\$ 29,278	-
Capital Projects	-	-	-
Enterprise	355,125	340,207	(14,918)
	<u>\$ 603,983</u>	<u>\$ 616,180</u>	<u>\$ 12,197</u>

2004 Budgeted vs. Actual Budgetary Basis Disbursements

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 173,659	\$ 188,418	\$ (14,759)
Special Revenue	33,400	28,120	5,280
Debt Service	29,278	29,278	-
Capital Projects	997	997	-
Enterprise	345,317	324,916	20,401
	<u>\$ 582,651</u>	<u>\$ 571,729</u>	<u>\$ 10,922</u>

2003 Budgeted vs. Actual Budgetary Basis Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 192,180	\$ 174,346	\$ (17,834)
Special Revenue	50,289	32,271	(18,018)
Debt Service	29,400	29,214	(186)
Capital Projects	169,000	166,130	(2,870)
Enterprise	356,000	342,643	(13,357)
	<u>\$ 796,869</u>	<u>\$ 744,604</u>	<u>\$ (52,265)</u>

**VILLAGE OF SEAMAN
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Disbursements

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 197,000	\$ 171,676	\$ 25,324
Special Revenue	44,943	38,505	6,438
Debt Service	29,400	29,214	186
Capital Projects	168,500	165,133	3,367
Enterprise	380,963	340,097	40,866
	<u>\$ 820,806</u>	<u>\$ 744,625</u>	<u>\$ 76,181</u>

Disbursements exceeded appropriations in the General Fund in 2004.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

5. LITIGATION

The Village currently has threatened litigation. Village's management believe any potential liability incurred as a result of litigation would be covered by its liability insurance.

**VILLAGE OF SEAMAN
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. DEBT

Debt outstanding at December 31, 2004 was as follows:

Ohio Water Development Authority Loan	\$ 214,563	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.

The bank loan from First State Bank relates to a settlement with the Altus Metals Company requiring the Village to pay Altus Metals for the cost of an easement for sewer lines that were installed by the Village. This loan was repaid in 2003 from the Sewer Enterprise Fund.

A Revenue Anticipation Note from First State Bank was issued in anticipation of the collection of, and payable solely from, current property taxes in and for the remainder of Fiscal Year 2004, less all advances and prior collections and settlements, under authority of, pursuant to and in full compliance with the general laws of the State of Ohio, particularly Chapter 133 and Section 133.1 of the Ohio Revised Code, and pursuant to an ordinance (the "Note Legislation") duly adopted by the Council of the Issuer on February 9, 2004. This Anticipation Note was repaid in full in 2004 from the General Fund.

Amortization of the above debt outstanding as of December 31, 2004, including interest payments of \$18,701 is scheduled as follows:

Year ending December 31:	OWDA Loan
2005	\$ 29,158
2006	29,158
2007	29,158
2008	29,158
2009	29,158
2010-2012	<u>87,474</u>
Total	<u>\$233,264</u>

7. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of the participant's wages. PERS members contributed 8.5% of their gross salaries to PERS and the Village contributed an amount equal to 13.55% of participant's gross salaries. The Village has paid all contributions required through December 31, 2004.

**VILLAGE OF SEAMAN
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

8. RISK POOL MEMBERSHIP

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

Casualty Coverage

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

Property Coverage

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2004 and 2003 (the latest information available):

Casualty Coverage	2004	2003
Assets	\$ 30,547,049	\$ 25,288,098
Liabilities	(16,989,918)	(12,872,985)
Retained earnings	<u>\$ 13,557,131</u>	<u>\$ 12,415,113</u>
Property Coverage	2004	2003
Assets	\$ 3,652,970	\$ 3,158,813
Liabilities	(544,771)	(792,061)
Retained earnings	<u>\$ 3,108,199</u>	<u>\$ 2,366,752</u>

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Ohio Society of Certified Public Accountants

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

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

To the Village Council:

We have audited the financial statements of the Village of Seaman, Adams County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated September 28, 2005, wherein we noted the Village followed 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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 reportable 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 caused by error or fraud 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.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2004-001.

However, we noted other matters that we have communicated to the Village in a letter dated September 28, 2005.

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

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



Balestra, Harr & Scherer, CPAs, Inc.

September 28, 2005

**VILLAGE OF SEAMAN
ADAMS COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001 Noncompliance Citation

Ohio Rev. Code, Section 5705.41(B), prohibits expenditures unless they are properly appropriated. Expenditures exceeded appropriations in the following funds:

2004	Appropriations	Expenditures	Variance
General Fund	\$173,659	\$188,418	(\$14,759)

The Clerk should deny payment requests exceeding appropriations or request the Village Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary. The Village stated that they would attempt to monitor appropriations and expenditures more closely in the future.

**VILLAGE OF SEAMAN
ADAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-30401-001 Subsequently Re-issued as 2002-002	Disbursements exceeded appropriations, contrary to Ohio Rev. Code, Section 5705.41(B).	No	See Schedule of Findings – Item 2004-001.
2000-30401-002 Subsequently Re-issued as 2002-003	Year end encumbrances were not included with the certificate of the total amount from all sources which is available for expenditures, and balances, contrary to Ohio Rev. Code, Section 5705.36.	Yes	
2000-30401-003 Subsequently Re-issued as 2002-001	Appropriations exceeded estimated resources, contrary to Ohio Rev. Code, Section 5705.39.	Yes	
2000-30401-004 Subsequently Re-issued as 2002-003	Certification of availability of funds and availability of funds was not certified for all commitments at December 31, contrary to Ohio Rev. Code, Section 5705.41(D).	Yes	
2002-004	Negative Fund Balance	Yes	



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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
FEBRUARY 9, 2006**