



**Auditor of State  
Betty Montgomery**



VILLAGE OF SEVEN MILE  
BUTLER COUNTY

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**Auditor of State  
Betty Montgomery**

Village of Seven Mile  
Butler County  
201 High Street  
Seven Mile, Ohio 45062

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While 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. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

September 18, 2006

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Seven Mile  
Butler County  
201 High Street  
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, 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 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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.

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 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 its changes in financial position or cash flows of its proprietary funds 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 and reserves for encumbrances of Village of Seven Mile, Butler 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 18, 2006, 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.



**Betty Montgomery**  
Auditor of State

September 18, 2006

**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, 2004**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	36133	\$0	\$11,997	\$0	\$48,130
Intergovernmental Receipts	48459	29,870	763	1,600	80,692
Charges for Services	8500	39,371	0	0	47,871
Fines, Licenses, and Permits	38104	1,835	0	0	39,939
Earnings on Investments	3192	1,167	0	0	4,359
Miscellaneous	176	1,104	0	0	1,280
	<u>134,564</u>	<u>73,347</u>	<u>12,760</u>	<u>1,600</u>	<u>222,271</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	43,983	13,977	0	0	57,960
Public Health Services	272	0	0	0	272
Leisure Time Activities	2,870	0	0	0	2,870
Community Environment	32	199	0	0	231
Transportation	0	11,492	0	0	11,492
General Government	72,039	0	0	0	72,039
Debt Service:					
Principal Payments	0	0	10,000	0	10,000
Interest Payments	0	0	2,193	0	2,193
Capital Outlay	1430	2097	0	90	3,617
	<u>120,626</u>	<u>27,765</u>	<u>12,193</u>	<u>90</u>	<u>160,674</u>
Total Cash Disbursements	<u>120,626</u>	<u>27,765</u>	<u>12,193</u>	<u>90</u>	<u>160,674</u>
Total Receipts Over/(Under) Disbursements	<u>13,938</u>	<u>45,582</u>	<u>567</u>	<u>1,510</u>	<u>61,597</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In		1,447			1,447
Transfers-Out	(1,939)	0	0	0	(1,939)
Other Financing Sources	2,796				2,796
	<u>857</u>	<u>1,447</u>	<u>0</u>	<u>0</u>	<u>2,304</u>
Total Other Financing Receipts/(Disbursements)	<u>857</u>	<u>1,447</u>	<u>0</u>	<u>0</u>	<u>2,304</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	14,795	47,029	567	1,510	63,901
Fund Cash Balances, January 1	33,685	218,601	11,011	0	263,297
<b>Fund Cash Balances, December 31</b>	<b><u>\$48,480</u></b>	<b><u>\$265,630</u></b>	<b><u>\$11,578</u></b>	<b><u>\$1,510</u></b>	<b><u>\$327,198</u></b>
Reserves for Encumbrances, December 31	<u>\$5,295</u>	<u>\$1,231</u>	<u>\$0</u>	<u>\$0</u>	<u>\$6,526</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 PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
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>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$133,174	\$0	\$133,174
Total Operating Cash Receipts	<u>133,174</u>	<u>0</u>	<u>133,174</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	10,150		10,150
Fringe Benefits	1,392		1,392
Contractual Services	600		600
Supplies and Materials	72,141		72,141
Capital Outlay	4,100		4,100
Total Operating Cash Disbursements	<u>88,383</u>	<u>0</u>	<u>88,383</u>
Operating Income/(Loss)	<u>44,791</u>	<u>0</u>	<u>44,791</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Receipts	4,500	33,908	38,408
Total Non-Operating Cash Receipts	<u>4,500</u>	<u>33,908</u>	<u>38,408</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	29,934		29,934
Other Non-Operating Cash Disbursements		33,908	33,908
Total Non-Operating Cash Disbursements	<u>29,934</u>	<u>33,908</u>	<u>63,842</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	19,357	0	19,357
Transfers-In	492	0	492
Net Receipts Over/(Under) Disbursements	19,849	0	19,849
Fund Cash Balances, January 1	97,428	0	97,428
<b>Fund Cash Balances, December 31</b>	<b><u>\$117,277</u></b>	<b><u>\$0</u></b>	<b><u>\$117,277</u></b>
Reserve for Encumbrances, December 31	<u>\$3,806</u>	<u>\$0</u>	<u>\$3,806</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, 2003**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$35,293	\$0	\$12,122	\$0	\$47,415
Intergovernmental Receipts	44,692	27,529	1,658	130,200	204,079
Charges for Services	2,750	29,383	0	0	32,133
Fines, Licenses, and Permits	25,406	245	0	0	25,651
Earnings on Investments	2,863	642	0	0	3,505
Miscellaneous	1,449	650	0	0	2,099
<b>Total Cash Receipts</b>	<b>112,453</b>	<b>58,449</b>	<b>13,780</b>	<b>130,200</b>	<b>314,882</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	39,992	21,406			61,398
Public Health Services	269				269
Leisure Time Activities	3,536				3,536
Transportation		12,883			12,883
General Government	86,739				86,739
Debt Service:					
Principal Payments			10,000		10,000
Interest Payments			7,616		7,616
Capital Outlay	3,650	10,392		130,200	144,242
<b>Total Cash Disbursements</b>	<b>134,186</b>	<b>44,681</b>	<b>17,616</b>	<b>130,200</b>	<b>326,683</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(21,733)</b>	<b>13,768</b>	<b>(3,836)</b>	<b>0</b>	<b>(11,801)</b>
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In		2,478			2,478
Transfers-Out	(3,042)				(3,042)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(3,042)</b>	<b>2,478</b>	<b>0</b>	<b>0</b>	<b>(564)</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(24,775)</b>	<b>16,246</b>	<b>(3,836)</b>	<b>0</b>	<b>(12,365)</b>
<b>Fund Cash Balances, January 1</b>	<b>58,460</b>	<b>202,355</b>	<b>14,847</b>	<b>0</b>	<b>275,662</b>
<b>Fund Cash Balances, December 31</b>	<b>\$33,685</b>	<b>\$218,601</b>	<b>\$11,011</b>	<b>\$0</b>	<b>\$263,297</b>
<b>Reserves for Encumbrances, December 31</b>	<b>\$890</b>	<b>\$632</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,522</b>

*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 PROPRIETARY FUND TYPES  
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>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$128,517	\$0	\$128,517
Total Operating Cash Receipts	<u>128,517</u>	<u>0</u>	<u>128,517</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	7,800		7,800
Fringe Benefits	1,141		1,141
Supplies and Materials	81,847		81,847
Capital Outlay	10,820		10,820
Total Operating Cash Disbursements	<u>101,608</u>	<u>0</u>	<u>101,608</u>
Operating Income/(Loss)	<u>26,909</u>	<u>0</u>	<u>26,909</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Receipts	211	19,609	19,820
Total Non-Operating Cash Receipts	<u>211</u>	<u>19,609</u>	<u>19,820</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	33,677		33,677
Other Non-Operating Cash Disbursements		19,609	19,609
Total Non-Operating Cash Disbursements	<u>33,677</u>	<u>19,609</u>	<u>53,286</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(6,557)	0	(6,557)
Transfers-In	564		564
Net Receipts Over/(Under) Disbursements	(5,993)	0	(5,993)
Fund Cash Balances, January 1	103,421	0	103,421
<b>Fund Cash Balances, December 31</b>	<b><u>\$97,428</u></b>	<b><u>\$0</u></b>	<b><u>\$97,428</u></b>
Reserve for Encumbrances, December 31	<u>\$123</u>	<u>\$0</u>	<u>\$123</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, 2004 AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Seven Mile, Butler County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides 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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost. The investment in STAR Ohio (State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

**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 reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds 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 charges for services for providing life squad services for the safety of the Village.

**VILLAGE OF SEVEN MILE  
BUTLER COUNTY**

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

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

**3. Debt Service Fund**

These funds account for resources the Village accumulates to pay bond and note debt. 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 a 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 account for receipts restricted to acquiring or constructing 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 receives 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 to recover the significant costs of providing certain goods or services 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. This debt is being repaid from water department revenue.

**6. Fiduciary Funds (Trust and Agency Funds)**

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary 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. Village 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, 2004 AND 2003  
(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. The Village did not encumber all commitments required by Ohio law.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2004	2003
Demand deposits	\$161,100	\$259,662
Certificates of deposit	101,063	101,063
Total deposits	262,163	360,725
STAR Ohio	182,312	
Total deposits and investments	\$444,475	\$360,725

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

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF SEVEN MILE  
BUTLER COUNTY**

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$111,235	\$137,360	\$26,125
Special Revenue	58,488	74,794	16,306
Debt Service	13,600	12,760	(840)
Capital Projects	82,800	1,600	(81,200)
Enterprise	130,000	138,166	8,166
Total	\$396,123	\$364,680	(\$31,443)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$145,315	\$127,860	\$17,455
Special Revenue	244,640	28,996	215,644
Debt Service	17,616	12,193	5,423
Capital Projects	82,800	90	82,710
Enterprise	227,268	122,123	105,145
Total	\$717,639	\$291,262	\$426,377

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$111,319	\$112,453	\$1,134
Special Revenue	54,875	60,927	6,052
Debt Service	13,600	13,780	180
Capital Projects	130,200	130,200	0
Enterprise	138,750	129,292	(9,458)
Total	\$448,744	\$446,652	(\$2,092)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$169,854	\$138,118	\$31,736
Special Revenue	236,965	45,313	191,652
Debt Service	19,100	17,616	1,484
Capital Projects	130,200	130,200	0
Enterprise	242,170	135,408	106,762
Total	\$798,289	\$466,655	\$331,634

Contrary to Ohio law, the Village did not obtain prior certification of the fiscal officer for all purchases nor were commitments properly encumbered.

**VILLAGE OF SEVEN MILE  
BUTLER COUNTY**

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

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**5. DEBT**

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
1995 Ohio Water Development Authority Loan #2870	\$258,344	2.00%
1997 Ohio Water Development Authority Loan #2871	33,596	2.00%
1995 Ohio Water Development Authority Loan #3056	104,768	6.24%
1997 Life Squad Bonds	30,000	5.15%
Total	<u>\$426,708</u>	

The Ohio Water Development Authority (OWDA) loans relate 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 March 1997, the Village issued \$80,000 of revenue bonds for the purchase of a new ambulance. These bonds are 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, follows:

**VILLAGE OF SEVEN MILE  
BUTLER COUNTY**

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

**5. DEBT (Continued)**

Year ending December 31:	OWDA Loan #2870	OWDA Loan #2871	OWDA Loan #3056	Life Squad Bonds
2005	\$20,105	\$2,615	\$10,957	\$11,545
2006	20,105	\$2,615	\$10,957	11,030
2007	20,105	\$2,615	\$10,957	10,515
2008	20,105	\$2,615	\$10,957	
2009	20,105	\$2,615	\$10,957	
2010-2014	100,525	13,075	54,785	
2015-2019	100,525	13,075	54,785	
Total	<u>\$301,575</u>	<u>\$39,225</u>	<u>\$164,355</u>	<u>\$33,090</u>

**6. RETIREMENT SYSTEMS**

The Village's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Seven Mile  
Butler County  
201 High Street  
Seven Mile, Ohio 45062

To the Village Council:

We have audited the financial statements of Village of Seven Mile, Butler County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated September 18, 2006, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State established rather than accounting principles generally accepted in the United States of America. We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A Reportable condition is described in the accompanying schedule of findings as item 2004-001.

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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Village's management dated September 18, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. In a separate letter to the Village's management dated September 18, 2006, we reported an other matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and Village Council. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

September 18, 2006

**VILLAGE OF SEVEN MILE  
BUTLER COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2004-001**

**Noncompliance Citation/Reportable Condition**

**Ohio Rev. Code, Section 5705.41(D)(1)**, prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The availability of funds was not certified in fifty-five percent of the Village's expenditures tested, nor did the Village use the aforementioned exceptions. Every effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly certify funds could result in overspending the Village's funds.

**FINDING NUMBER 2004-001  
(Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

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

**Officials' Response**

We did not receive a response to this find from Village Officials.

**VILLAGE OF SEVEN MILE  
BUTLER 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; <b><i>Explain</i></b>
2002-001	Village failed to provide complete documentation for water billings and meter readings	Yes	
2002-002	Delinquent water accounts were not shut off and certified to the county auditor to be placed on the tax duplicate	Yes	
2002-003	Actual water meter readings were not occurring at least quarterly	Yes	
2002-004	Water department records were incomplete and possibly inaccurate	Yes	





**Auditor of State  
Betty Montgomery**

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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  
OCTOBER 3, 2006**