



Dave Yost • Auditor of State



VILLAGE OF SEVEN MILE  
BUTLER COUNTY

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# Dave Yost • Auditor of State

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 an 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 adverse 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 black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

September 13, 2011

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# Dave Yost • Auditor of State

## 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, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements.

The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009 or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Seven Mile, Butler County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 13, 2011, 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 black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

September 13, 2011



**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, 2010**

	<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 and Local Taxes	\$31,120	\$0	\$0	\$0	\$31,120
Intergovernmental	160,805	49,809	0	12,411	223,025
Charges for Services	10,600	21,546	0	0	32,146
Fines, Licenses and Permits	19,611	1,762	0	0	21,373
Earnings on Investments	2,810	226	0	0	3,036
Miscellaneous	500	3,823	0	0	4,323
	<u>225,446</u>	<u>77,166</u>	<u>0</u>	<u>12,411</u>	<u>315,023</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	50,649	40,486	0	0	91,135
Public Health Services	138	0	0	0	138
Leisure Time Activities	1,523	0	0	0	1,523
Basic Utility Service	549	0	0	0	549
Transportation	0	16,832	0	0	16,832
General Government	55,485	0	0	0	55,485
Capital Outlay	0	0	0	12,411	12,411
	<u>108,344</u>	<u>57,318</u>	<u>0</u>	<u>12,411</u>	<u>178,073</u>
Total Receipts Over/(Under) Disbursements	<u>117,102</u>	<u>19,848</u>	<u>0</u>	<u>0</u>	<u>136,950</u>
<b>Other Financing Receipts / (Disbursements):</b>					
Transfers-Out	(975)	0	0	0	(975)
Other Financing Sources	332	686	0	0	1,018
	<u>(643)</u>	<u>686</u>	<u>0</u>	<u>0</u>	<u>43</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	116,459	20,534	0	0	136,993
Fund Cash Balances, January 1	60,087	351,769	7,633	0	419,489
<b>Fund Cash Balances, December 31</b>	<b><u>\$176,546</u></b>	<b><u>\$372,303</u></b>	<b><u>\$7,633</u></b>	<b><u>\$0</u></b>	<b><u>\$556,482</u></b>
Reserve for Encumbrances, December 31	<u>\$1,310</u>	<u>\$2,645</u>	<u>\$0</u>	<u>\$0</u>	<u>\$3,955</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 FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$133,500	\$0	\$133,500
Total Operating Cash Receipts	<u>133,500</u>	<u>0</u>	<u>133,500</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	13,200	0	13,200
Employee Fringe Benefits	1,977	0	1,977
Contractual Services	72,271	0	72,271
Supplies and Materials	8,399	0	8,399
Total Operating Cash Disbursements	<u>95,847</u>	<u>0</u>	<u>95,847</u>
Operating Income/(Loss)	<u>37,653</u>	<u>0</u>	<u>37,653</u>
<b>Non-Operating Cash Receipts:</b>			
Miscellaneous Receipts	366	0	366
Other Non-Operating Cash Receipts	0	18,223	18,223
Total Non-Operating Cash Receipts	<u>366</u>	<u>18,223</u>	<u>18,589</u>
<b>Non-Operating Cash Disbursements:</b>			
Redemption of Principal	24,620	0	24,620
Interest and Other Fiscal Charges	9,057	0	9,057
Other Non-Operating Cash Disbursements	0	18,223	18,223
Total Non-Operating Cash Disbursements	<u>33,677</u>	<u>18,223</u>	<u>51,900</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	4,342	0	4,342
Transfers-In	975	0	975
Net Receipts Over/(Under) Disbursements	5,317	0	5,317
Fund Cash Balances, January 1	62,790	0	62,790
<b>Fund Cash Balances, December 31</b>	<b><u>\$68,107</u></b>	<b><u>\$0</u></b>	<b><u>\$68,107</u></b>
Reserve for Encumbrances, December 31	<u>\$8,000</u>	<u>\$0</u>	<u>\$8,000</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, 2009**

	<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 and Local Taxes	\$42,196	\$0	\$0	\$0	\$42,196
Intergovernmental	57,080	39,036	0	20,141	116,257
Charges for Services	10,410	35,552	0	0	45,962
Fines, Licenses and Permits	19,867	2,743	0	0	22,610
Earnings on Investments	4,080	501	0	0	4,581
Miscellaneous	2,350	503	0	0	2,853
<b>Total Cash Receipts</b>	<u>135,983</u>	<u>78,335</u>	<u>0</u>	<u>20,141</u>	<u>234,459</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	45,533	25,122	0	0	70,655
Leisure Time Activities	3,071	0	0	0	3,071
Basic Utility Service	476	0	0	0	476
Transportation	0	23,816	0	0	23,816
General Government	67,414	6,000	0	0	73,414
Capital Outlay	14,765	0	0	20,141	34,906
<b>Total Cash Disbursements</b>	<u>131,259</u>	<u>54,938</u>	<u>0</u>	<u>20,141</u>	<u>206,338</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>4,724</u>	<u>23,397</u>	<u>0</u>	<u>0</u>	<u>28,121</u>
<b>Other Financing Receipts / (Disbursements):</b>					
Sale of Fixed Assets	2,002	0	0	0	2,002
Other Financing Sources	441	0	0	0	441
Other Financing Uses	(8)	0	0	0	(8)
<b>Total Other Financing Receipts / (Disbursements)</b>	<u>2,435</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,435</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>7,159</u>	<u>23,397</u>	<u>0</u>	<u>0</u>	<u>30,556</u>
<b>Fund Cash Balances, January 1</b>	<u>52,928</u>	<u>328,372</u>	<u>7,633</u>	<u>0</u>	<u>388,933</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$60,087</b></u>	<u><b>\$351,769</b></u>	<u><b>\$7,633</b></u>	<u><b>\$0</b></u>	<u><b>\$419,489</b></u>
<b>Reserve for Encumbrances, December 31</b>	<u><b>\$6,375</b></u>	<u><b>\$278</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$6,653</b></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 FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$130,799	\$0	\$130,799
Total Operating Cash Receipts	<u>130,799</u>	<u>0</u>	<u>130,799</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	13,175	0	13,175
Employee Fringe Benefits	2,551	0	2,551
Contractual Services	127,481	0	127,481
Supplies and Materials	13,361	0	13,361
Total Operating Cash Disbursements	<u>156,568</u>	<u>0</u>	<u>156,568</u>
Operating Income/(Loss)	<u>(25,769)</u>	<u>0</u>	<u>(25,769)</u>
<b>Non-Operating Cash Receipts:</b>			
Miscellaneous Receipts	606	0	606
Other Non-Operating Cash Receipts	0	24,335	24,335
Total Non-Operating Cash Receipts	<u>606</u>	<u>24,335</u>	<u>24,941</u>
<b>Non-Operating Cash Disbursements:</b>			
Redemption of Principal	23,904	0	23,904
Interest and Other Fiscal Charges	9,774	0	9,774
Other Non-Operating Cash Disbursements	0	24,335	24,335
Total Non-Operating Cash Disbursements	<u>33,678</u>	<u>24,335</u>	<u>58,013</u>
Excess of Receipts Over/(Under) Disbursements Before Capital Contributions	(58,841)	0	(58,841)
Capital Contributions	<u>3,100</u>	<u>0</u>	<u>3,100</u>
Net Receipts Over/(Under) Disbursements	(55,741)	0	(55,741)
Fund Cash Balances, January 1	<u>118,531</u>	<u>0</u>	<u>118,531</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$62,790</u></b>	<b><u>\$0</u></b>	<b><u>\$62,790</u></b>
Reserve for Encumbrances, December 31	<u>\$9,200</u>	<u>\$0</u>	<u>\$9,200</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, 2010 AND 2009**

**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 directs the Village. The Village provides water and utilities, fire and ambulance services, and police services.

The Village participates in the Public Entities Pool of Ohio (PEP). PEP is a risk-sharing pool available to Ohio local governments, which provides property and casualty coverage for its members. Note 7 to the financial statements provides additional information for this entity.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**B. Accounting Basis**

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. The Village 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 include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

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

The Village values certificates of deposit at cost. Investments in STAR Ohio are recorded at share values that STAR Ohio reports.

**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.

**VILLAGE OF SEVEN MILE  
BUTLER COUNTY**

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

**1. Summary of Significant Accounting Policies (Continued)**

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose 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.

**3. Debt Service Funds**

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

Life Squad Debt Fund – This fund is used to repay the debt issued for payment of life squad bonds. These bonds were retired in 2007.

**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:

Grant Construction 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 Fund - This fund receives charges for services from residents to cover water service costs.

**6. Fiduciary Funds (Agency Fund)**

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

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**VILLAGE OF SEVEN MILE  
BUTLER COUNTY**

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

**1. Summary of Significant Accounting Policies (Continued)**

**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. Unencumbered appropriations lapse at year end.

**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 individual 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 2010 and 2009 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 Deposits and Investments**

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

	2010	2009
Demand deposits	\$454,190	\$267,930
Certificates of deposit	0	42,996
Total deposits	454,190	310,926
STAR Ohio	173,194	173,007
Total investments	173,194	173,007
Total deposits and investments	\$627,384	\$483,933

**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, 2010 AND 2009  
(Continued)**

**2. Equity in Pooled Deposits and Investments (Continued)**

The Carrying amounts listed in Note 2 does not agree to the Villages financial statements, because the Village has not properly reconciled their cash to their fund statements.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$115,400	\$226,753	\$111,353
Special Revenue	84,318	77,852	(6,466)
Debt Service	1,876	0	(1,876)
Capital Projects	12,411	12,411	0
Enterprise	134,505	133,866	(639)
Total	\$348,510	\$450,882	\$102,372

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$173,543	\$110,629	\$62,914
Special Revenue	422,210	59,963	362,247
Debt Service	7,633	0	7,633
Capital Projects	12,411	12,411	0
Enterprise	203,268	137,524	65,744
Total	\$819,065	\$320,527	\$498,538

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$121,698	\$138,426	\$16,728
Special Revenue	85,709	78,336	(7,373)
Debt Service	0	0	0
Capital Projects	20,141	20,141	0
Enterprise	122,633	134,505	11,872
Total	\$350,181	\$371,408	\$21,227



**VILLAGE OF SEVEN MILE  
BUTLER COUNTY**

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

**3. Budgetary Activity (Continued)**

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$219,540	\$137,642	\$81,898
Special Revenue	398,759	55,216	343,543
Debt Service	7,633	0	7,633
Capital Projects	20,141	20,141	0
Enterprise	246,292	199,446	46,846
Total	\$892,365	\$412,445	\$479,920

Contrary to Ohio law, appropriations exceeded available resources for various funds at December 31, 2009.

Contrary to Ohio law, appropriations exceeded estimated resources for the General Fund, State Highway Fund and the Law Enforcement Fund, at December 31, 2009.

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted 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 financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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, 2010 was as follows:

	Principal	Interest Rate
1995 Ohio Water Development Authority Loan #2870	\$164,110	2%
1997 Ohio Water Development Authority Loan #2871	\$21,338	2%
1995 Ohio Water Development Authority Loan #3056	73,753	6.24%
Total	\$259,201	

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

**VILLAGE OF SEVEN MILE  
BUTLER COUNTY**

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

**5. Debt (Continued)**

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

Year ending December 31:	OWDA Loan #2870	OWDA Loan #2871	OWDA Loan #3056
2011	\$20,105	\$2,615	\$10,957
2012	20,105	2,615	10,957
2013	20,105	2,615	10,957
2014	20,105	2,615	10,957
2015	20,105	2,615	10,957
2016-2020	80,422	10,460	43,828
Total	<u>\$180,947</u>	<u>\$23,535</u>	<u>\$98,613</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 these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10 and 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14 and 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

**7. Risk Management**

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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO.

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 and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2009, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**VILLAGE OF SEVEN MILE  
BUTLER COUNTY**

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

**7. Risk Management (Continued)**

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available):

	<u>2009</u>	<u>2008</u>
Assets	\$36,374,898	\$35,769,535
Liabilities	<u>(15,256,862)</u>	<u>(15,310,206)</u>
Net Assets	<u>\$21,118,036</u>	<u>\$20,459,329</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Village's share of these unpaid claims collectible in future years is approximately \$16,000.

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

<u>Contributions to PEP</u>	
<u>2010</u>	<u>2009</u>
\$17,545	\$17,609

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

**8. Compliance**

Contrary to Ohio law, the Village did not maintain the books of the Village and exhibit accurate statements of monies received and expended.

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# Dave Yost • Auditor of State

## 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 the Village of Seven Mile, Butler County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated September 13, 2011 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 also noted 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(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness and another deficiency we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-01 described in the accompanying schedule of findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2010-03 described in the accompanying schedule of findings to be a significant deficiency.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-002 and 2010-004

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 13, 2011.

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



**Dave Yost**  
Auditor of State

September 13, 2011.

**VILLAGE OF SEVEN MILE  
BUTLER COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

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

**FINDING NUMBER 2010-001**

**Material Weakness**

The Village lacks management oversight in the posting of estimated receipts and appropriations. The appropriations posted to the UAN system did not match the permanent appropriations plus Council approved amendments. The Village made supplemental appropriations during the audit period. However, Council did not approve all of the supplemental appropriations.

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. The Village failed to accurately post official estimated resources and appropriations to their accounting system. The following differences were noted between the system and the approved budgetary documents each fiscal year:

<b>Fund</b>	<b>Amount Per Appropriation Resolution</b>	<b>Amount Posted to the Accounting System</b>	<b>Variance</b>
General - 2009	\$219,540	\$163,468	\$56,072
Street Construction Fund -2009	145,073	163,377	(18,304)
State Highway Fund - 2009	22,306	21,306	1,000
Life Squad Fund - 2009	191,199	192,649	(1,450)
General Fund - 2010	173,543	164,583	8,960
Life Squad Fund - 2010	193,583	188,897	4,685
Mayors Court Fund - 2010	7,959	6,965	994
Capital Projects Funds - 2010	12,411	24,811	(12, 400)

<b>Fund</b>	<b>Amount Per Certificate of Estimated Resources</b>	<b>Amount Posted to the Accounting System</b>	<b>Variance</b>
General - 2009	\$121,695	\$184,314	\$(62,619)
Street Construction Fund -2009	163,377	163,523	(145)
State Highway Fund - 2009	21,306	10,221	11,085
Law Enforcement Fund - 2009	345	201	144
Police Equipment Fund - 2009	744	952	(208)
Permissive Motor Vehicle Fund - 2009	33,238	30,873	2,366

(Continued)

**FINDING NUMBER 2010-001  
 (Continued)**

<b>Fund</b>	<b>Amount Per Certificate of Estimated Resources</b>	<b>Amount Posted to the Accounting System</b>	<b>Variance</b>
Life Squad Fund - 2009	192,649	183,218	9,430
Mayors Court Fund - 2009	6,471	6,194	277
Capital Projects Funds - 2009	20,141	0	20,141
Enterprise Funds - 2009	237,805	238,650	(845)
General Fund - 2010	167,168	278,485	(111,317)
Street Construction Fund -2010	115,400	178,423	(63,023)
State Highway Fund - 2010	11,945	12,246	(301)
Law Enforcement Fund - 2010	472	555	(84)
Police Equipment Fund - 2010	2,616	2,344	272
Permissive Motor Vehicle Fund - 2010	31,857	31,141	715
Life Squad Fund - 2010	193,583	191,262	2,321
Mayors Court Fund - 2010	15,918	8,841	7,077
Litter Control Fund - 2010	397	199	198
Debt Service Funds - 2010	9,509	7,633	1,876
Enterprise Funds - 2010	194,068	194,439	(371)

The Village's budgetary disclosure has been adjusted to reflect the official budget.

Failure to properly post official estimated receipts and appropriations could result in excessive spending and possible negative fund balances. We recommend the Village accurately post the official estimated receipts and appropriations to their budgetary ledgers. Once posted, the Fiscal Officer and Council should compare the estimated resources and appropriations on the accounting system to the official documents. Fiscal Officer should also ensure that the official budget is presented in the budgetary disclosure in the annual financial statements. Council should approve all amendments to appropriations in the minutes. The Village should maintain detail information supporting all supplemental appropriations. Furthermore, the Village should implement procedures for the review of the amounts posted to the budgetary ledgers as well as reported in their annual financial report.

**FINDING NUMBER 2010-002**

**Noncompliance**

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



**FINDING NUMBER 2010-002**  
**(Continued)**

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 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. 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 Village did utilize Blanket Certificates. Of the transactions tested in 2009, four (twenty percent) were not certified by the Fiscal Officer at the time the commitment was incurred. Of the transactions tested in 2010, five (twenty five percent) were not certified by the Fiscal Officer at the time the commitment was incurred. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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 fiscal officer 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.

### FINDING NUMBER 2010-003

#### Significant Deficiency

The Village did not accurately reconcile its bank account to fund balances in the Village's accounting records for the audit period. Examples of inaccuracies follow:

- The Village posted a fund balance adjustment to the General fund in the amount of \$1,002 in 2010 and \$5,612 in 2009 to write off checks. Support provided by the Village indicated that these checks had been already written off in prior years. Also Council did not approve these fund balance adjustments.
- The Village had outstanding checks totaling \$73 in 2010 and \$1,081 in 2009 on the outstanding checklist which had already cleared the bank.
- The Village overstated its investment balance by \$18 in 2010 and understated the investment balance by \$2,005 in 2009.
- In 2010, the Village performed its December 31, 2010 cash reconciliation prior to entering all expenses into the UAN system, thereby allowing 3 checks in the amount of \$328 to not appear on the outstanding checklist.

These inaccuracies resulted in the Village not being reconciled at December 31, 2010 and 2009; these amounts were immaterial and thus not posted to the accounting records or financial statements.

Accurate reconciliations are a basic and essential internal control component for sound fiscal management. Village officials rely on accurate reconciliations to make sound financial decisions.

We recommend the Village reconcile accurately on a monthly basis. The Village should document and adequately explain all other adjustment factors. Adjustments should be documented, and any unexplained differences should be investigated and resolved immediately. Outstanding checks older than six months should be investigated and appropriate actions taken to remove them from the reconciliation if they no longer apply. To improve record keeping and accountability of receipts we recommend the Village properly post all investment activities. The Village should maintain proper supporting documentation for all fund balance adjustments. The Village Council should approve all fund balance adjustments.

### FINDING NUMBER 2010-004

#### Noncompliance

**Ohio Revised Code, Section 5705.36(A)(4)**, requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

**FINDING NUMBER 2010-004  
 (Continued)**

Actual receipts were less than estimated receipts and the deficiency reduced available resources below the current level of appropriations as follows:

Fund	Actual Receipts	Estimated Receipts	Variance
State Highway Fund - 2009	\$2,726	\$4,557	(\$1,831)
Permissive Motor Vehicle Fund - 2009	2,194	4,557	(2,363)
Life Squad Fund - 2009	36,865	45,010	(8,145)
Police Equipment Fund - 2010	560	832	(272)
Permissive Motor Vehicle Fund - 2010	1,478	2,194	(716)
Life Squad Fund - 2010	34,054	36,365	(2,311)
Mayor's Court Fund - 2010	882	7,959	(7,077)
Litter Control Fund - 2010	0	198	(198)
Debt Service Fund - 2010	0	1,876	(1,876)

Failure to obtain amended certificates to reduce available resources can result in overspending and negative fund balances. We recommend the Village monitor estimated and actual receipts and obtain amended certificates as required.

**Ohio Revised Code, Section 5705.39**, provides in part that total appropriations from each fund shall not exceed the total estimated resources. Appropriations exceeded estimated resources as follows:

Fund	Appropriations	Estimated Resources	Variance
General Fund - 2009	\$219,540	\$163,468	\$56,072
State Highway Fund - 2009	22,306	21,306	1,000
Law Enforcement Fund - 2009	375	345	30

Failure to limit appropriations to estimated resources may result in overspending and negative fund balances. We recommend that the Village limit appropriations to the amount of estimated resources.

**We did not receive a response from officials to the findings reported above.**

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**VILLAGE OF SEVEN MILE  
BUTLER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

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>
2008-001	Inaccurate cash reconciliations	No	See finding 2010-003
2008-002	Inaccurate posting of financial activity to the accounting records	No	See 2010-2009 management letter
2008-003	ORC 5705.41(D)(1) – Failure to certify the availability of funds.	No	See finding 2010-002
2008-004	Not implementing controls to monitor service organizations	No	See 2010-2009 management letter
2008-005	Posting of inaccurate budgetary information to the accounting records	No	See finding 2010-001
2008-006	ORC 5705.36(A)(4) – Obtaining a reduced amended certificate if the amount of deficiency will reduce available resources below appropriations ORC 5705.39 – Total appropriations shall not exceed estimated resources ORC 5705.41(B) – The village shall not expend money unless it has been appropriated	No  No  Yes	See finding 2010-004  See finding 2010-004
2008-007	ORC 5705.14 & 5705.16 – Transfers from the general fund require resolution passed by the governing authority	Yes	

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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 18, 2011