



Dave Yost • Auditor of State



VILLAGE OF SEAMAN  
ADAMS COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Seaman  
Adams County  
P.O. Box 48  
Seaman, Ohio 45679

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of Seaman, Adams County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position thereof for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Seaman, Adams County, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

***Emphasis of Matter***

As discussed in Note 1 to the financial statements, during 2011 the Village of Seaman adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

December 23, 2013

**VILLAGE OF SEAMAN  
ADAMS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 108,198	\$ -	\$ -	\$108,198
Intergovernmental	29,653	31,659	-	61,312
Charges for Services	8,150	-	-	8,150
Fines, Licenses and Permits	24,197	-	-	24,197
Miscellaneous	17,348	21,238	-	38,586
<i>Total Cash Receipts</i>	<u>187,546</u>	<u>52,897</u>	<u>-</u>	<u>240,443</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	87,498	8,816	-	96,314
Public Health Services	2,582	-	-	2,582
General Government	117,953	22,011	-	139,964
Capital Outlay	23,859	20,821	-	44,680
Debt Service:				
Principal Retirement	-	-	29,158	29,158
Interest and Fiscal Charges	-	-	-	-
<i>Total Cash Disbursements</i>	<u>231,892</u>	<u>51,648</u>	<u>29,158</u>	<u>312,698</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(44,346)</u>	<u>1,249</u>	<u>(29,158)</u>	<u>(72,255)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	-	-	29,158	29,158
<i>Total Other Financing Receipts (Disbursements)</i>	<u>-</u>	<u>-</u>	<u>29,158</u>	<u>29,158</u>
<i>Fund Cash Balances, January 1</i>	<u>100,730</u>	<u>10,072</u>	<u>-</u>	<u>110,802</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	11,321	-	11,321
Unassigned (Deficit)	56,384	-	-	56,384
<i>Fund Cash Balances, December 31</i>	<u>\$ 56,384</u>	<u>\$ 11,321</u>	<u>\$ -</u>	<u>\$ 67,705</u>

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

**VILLAGE OF SEAMAN  
ADAMS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$ 390,848	\$ -	\$ 390,848
Miscellaneous	2,512	-	2,512
<i>Total Operating Cash Receipts</i>	<u>393,360</u>	<u>-</u>	<u>393,360</u>
<b>Operating Cash Disbursements</b>			
Personal Services	133,649	-	133,649
Contractual Services	225,677	-	225,677
Supplies and Materials	13,943	-	13,943
Capital Outlay	59,293	-	59,293
<i>Total Operating Cash Disbursements</i>	<u>432,562</u>	<u>-</u>	<u>432,562</u>
<i>Operating Income (Loss)</i>	<u>(39,202)</u>	<u>-</u>	<u>(39,202)</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Other Financing Sources	-	31,527	31,527
Other Financing Uses	-	(31,527)	(31,527)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	(39,202)	-	(39,202)
Transfers Out	(29,158)	-	(29,158)
<i>Net Change in Fund Cash Balances</i>	(68,360)	-	(68,360)
<i>Fund Cash Balances, January 1</i>	<u>145,830</u>	<u>-</u>	<u>145,830</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 77,470</u>	<u>\$ -</u>	<u>\$ 77,470</u>

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



**VILLAGE OF SEAMAN  
ADAMS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$ 111,223	\$ -	\$ -	\$ -	\$111,223
Intergovernmental	99,641	32,899	-	18,673	151,213
Charges for Services	7,937	-	-	-	7,937
Fines, Licenses and Permits	22,727	-	-	-	22,727
Miscellaneous	7,900	6,919	-	-	14,819
<i>Total Cash Receipts</i>	<u>249,428</u>	<u>39,818</u>	<u>-</u>	<u>18,673</u>	<u>307,919</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	64,388	4,800	-	-	69,188
Public Health Services	2,049	-	-	-	2,049
General Government	58,602	19,319	-	-	77,921
Capital Outlay	72,841	11,276	-	18,673	102,790
Debt Service:					
Principal Retirement	-	-	29,158	-	29,158
Interest and Fiscal Charges	-	-	-	-	-
<i>Total Cash Disbursements</i>	<u>197,880</u>	<u>35,395</u>	<u>29,158</u>	<u>18,673</u>	<u>281,106</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>51,548</u>	<u>4,423</u>	<u>(29,158)</u>	<u>0</u>	<u>26,813</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In	-	-	29,158	-	29,158
<i>Total Other Financing Receipts (Disbursements)</i>	<u>-</u>	<u>-</u>	<u>29,158</u>	<u>-</u>	<u>29,158</u>
<i>Fund Cash Balances, January 1</i>	<u>49,182</u>	<u>5,649</u>	<u>-</u>	<u>-</u>	<u>54,831</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	-	10,072	-	-	10,072
Unassigned (Deficit)	100,730	-	-	-	100,730
<i>Fund Cash Balances, December 31</i>	<u>\$ 100,730</u>	<u>\$ 10,072</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,802</u>

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

**VILLAGE OF SEAMAN  
ADAMS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$ 383,605	\$ -	\$ 383,605
Miscellaneous	659	-	659
<i>Total Operating Cash Receipts</i>	<u>384,264</u>	<u>-</u>	<u>384,264</u>
<b>Operating Cash Disbursements</b>			
Personal Services	122,689.00	-	122,689
Contractual Services	211,909.00	-	211,909
Supplies and Materials	13,662.00	-	13,662
Capital Outlay	43,471.00	-	43,471
<i>Total Operating Cash Disbursements</i>	<u>391,731</u>	<u>-</u>	<u>391,731</u>
<i>Operating Income (Loss)</i>	<u>(7,467)</u>	<u>-</u>	<u>(7,467)</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Other Financing Sources	-	25,660	25,660
Other Financing Uses	-	(27,897)	(27,897)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>-</u>	<u>(2,237.00)</u>	<u>(2,237.00)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	(7,467)	(2,237.00)	(9,704)
Transfers Out	(29,158)	-	(29,158)
<i>Net Change in Fund Cash Balances</i>	(36,625)	(2,237.00)	(38,862)
<i>Fund Cash Balances, January 1</i>	<u>182,455</u>	<u>2,237.00</u>	<u>184,692</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 145,830</u>	<u>\$ -</u>	<u>\$ 145,830</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, 2012 AND 2011**

**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 Seaman, Adams County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, maintenance of roads and bridges, water and sewer utilities and police services.

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**

During the period the Village maintained a general checking account, Mayor's Court checking account, and certificates of deposit. The Village values the certificate of deposit at cost. The Village pools the cash deposits to capture the highest rate of return.

The Village had no investments.

**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 accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

**VILLAGE OF SEAMAN  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

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

**3. Debt Service Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Funds:

OWDA Debt Service Fund - This fund receives transfers from the Sewer Fund for making debt payments.

**4. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

Sidewalk Fund – This fund received CDBG grant money from Adams County for sidewalk improvements.

**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 Funds:

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

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

**6. Fiduciary Funds**

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

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

**E. Budgetary Process**

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

**VILLAGE OF SEAMAN  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(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. 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 individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

**F. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**VILLAGE OF SEAMAN  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

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

**3. Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. 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.

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**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 Village had no investments at year end. The carrying amount of deposits at December 31 was as follows:

**VILLAGE OF SEAMAN  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

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

	2012	2011
Demand deposits	\$95,175	\$206,632
Certificates of deposit	50,000	50,000
Total deposits	145,175	256,632

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2012 and December 31, 2011 follows:

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$180,245	\$187,546	\$7,301
Special Revenue	53,438	52,897	(541)
Debt Service	30,000	29,158	(842)
Enterprise	361,000	393,360	32,360
Total	\$624,683	\$662,961	\$38,278

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$230,974	\$231,892	(\$918)
Special Revenue	52,580	51,648	932
Debt Service	30,000	29,158	842
Enterprise	506,829	461,720	45,109
Total	\$820,383	\$774,418	\$45,965

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$224,988	\$249,428	\$24,440
Special Revenue	37,200	39,818	2,618
Debt Service	30,000	29,158	(842)
Capital Projects	21,008	18,673	(2,335)
Enterprise	491,000	384,264	(106,736)
Total	\$804,196	\$721,341	(\$82,855)

**VILLAGE OF SEAMAN  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**3. Budgetary Activity (Continued)**

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$216,145	\$197,880	\$18,265
Special Revenue	42,852	35,395	7,457
Debt Service	30,000	29,158	842
Capital Projects	0	18,673	(18,673)
Enterprise	667,455	420,889	246,566
Total	<u>\$956,452</u>	<u>\$701,995</u>	<u>\$254,457</u>

Disbursements plus encumbrances exceeded approved appropriations in the Permissive Motor Vehicle License Tax, and Sidewalk Replacement Funds in 2011 and in the General, K-9 and Water Funds in 2012, which are violations of Ohio Revised Code Section 5705.41 (B).

**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. Retirement Systems**

The Village's certified full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. 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 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.



**VILLAGE OF SEAMAN  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**6. 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. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), 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, 2012, 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.

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, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	<u>(14,208,353)</u>	<u>(14,187,273)</u>
Net Position	<u>\$20,181,216</u>	<u>\$19,175,131</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately \$14,000.

VILLAGE OF SEAMAN  
ADAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

6. Risk Management (Continued)

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

<u>Contributions to PEP</u>	
<u>2012</u>	<u>2011</u>
\$12,442	\$12,618

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.



# Dave Yost • Auditor of State

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

Village of Seaman  
Adams County  
P.O. Box 48  
Seaman, Ohio 45679

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Seaman, Adams County, Ohio (the Village), as of and for the years ended December 31, 2012, and 2011, and the related notes to the financial statements, and have issued our report thereon dated December 23, 2013 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits. We also noted the Village has adopted Government Accounting Standards Board Statement No. 54.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Government's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider significant deficiencies in internal control. We consider findings 2012-001 and 2012-002 to be significant deficiencies.

***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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001 and 2012-003 through 2012-005.

***Entity's Response to Findings***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

December 23, 2013

**VILLAGE OF SEAMAN  
ADAMS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2012-001**

**Noncompliance Citation and Significant Deficiency**

Ohio Administrative Code (OAC) Section 117-2-02(A) directs all public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, and analyze, classify, record, and report its transactions, maintain accountability for the related assets, and prepare financial statements required by Rule 117-2-03 of the OAC. OAC Section 117-2-02(D) allows the records to be maintained manually or in a computerized format and requires the following: (1) Cash journal with the amount, date, receipt number, check number, account code, and any other information necessary to properly classify the transaction; (2) Receipts ledger to assemble and classify receipts into separate accounts for each type of receipt of each fund consisting of the amount, date, name of the payer, purpose, receipt number, and other information necessary to record the transaction on this ledger, and; (3) Appropriation ledger to assemble and classify disbursements into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, date, fund, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, uncommitted balance of appropriations, and any other information required may be entered in the appropriate columns.

We noted the following conditions:

- During 2011, the Village incorrectly recorded the purchase of \$50,000 certificate of deposit as a *General Government* disbursement in the General Fund.
- During 2011 and 2012, the village incorrectly posted *Intergovernmental* receipts as *Property and Other Local Taxes* in the General Fund, Street Construction Fund, and State Highway Fund.
- During 2011 and 2012, the Village incorrectly posted *Intergovernmental* receipts for permissive motor vehicle license tax receipts to the Street Construction Fund and State Highway Fund; the receipts should have been posted to the Permissive Motor Vehicle License Tax Fund.
- During 2011, the Village incorrectly posted in as *Intergovernmental* receipts in the Capital Projects Fund the entire amount of a sidewalk grant; however, the Village did not require the entire amount of the grant to complete the project and should not have recorded the entire grant amount.

As a result of these errors certain receipt, disbursement and fund balance amounts reported by the Village on the annual financial report were not accurate. The Village posted audit adjustments to the financial statement and accounting records, where appropriate, to correct these errors.

We recommend the Fiscal Officer review the requirements of OAC Section 117-2-02 and the description of the accounts and maintain the receipt ledger and appropriation ledger in the manner prescribed therein.

## FINDING NUMBER 2012-002

### Significant Deficiency

The Village Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling the Village's accounts, the Utility accounts and the Mayor's Court accounts. Because the size of the Village administrative staff is not conducive to adequate segregation of duties, it is important that the Village's Council monitor financial activity closely. The Village has no processes or procedures in place to ensure transactions were posted in the proper period. No processes existed to identify unusual fluctuations between accounts or between fiscal years.

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

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

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

We recommend the Village develop and implement a monitoring control system to prevent misstatements or misappropriation of funds.

## FINDING NUMBER 2012-003

### Noncompliance Citation

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. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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.

**FINDING NUMBER 2012-003**  
**(Continued)**

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 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 Certificates - 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.

Thirty-three percent of the transactions tested in 2012 and 2011 were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Additionally, five percent of the transactions tested did not have purchase orders prepared for the expenditures.

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 an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language Section 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 Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

#### FINDING NUMBER 2012-004

##### Noncompliance Citation

**Ohio Rev. Code, Section 5705.41 (B)**, prohibits a subdivision from making a disbursement (expenditure) unless it has been properly appropriated. During 2011, the Permissive Motor Vehicle License Fund had expenditures of \$2,998 which exceeded appropriations of \$0 by \$2,998, and the Sidewalk Replacement Fund had expenditures of \$18,673 which exceeded appropriations of \$0 by \$18,673. During 2012, the General Fund had expenditures of \$231,892 which exceeded appropriations of \$230,974 by \$918, the K-9 Fund had expenditures of \$11,045 which exceeded appropriations of \$0 by \$11,045, and the Water Fund had expenditures of \$236,855 which exceeded appropriations of \$228,890 by \$7,965.

The management of the Village should monitor the budgetary receipts and expenditures by having the Fiscal Officer provide budgetary reports at least quarterly to be reviewed and approved by the Village Council. By regularly monitoring its budgetary position throughout the year, the Village will be better able to determine when amendments need to be made to original budgeted receipts thus avoiding negative fund/account code balances, and will be better prepared for making decisions which effect the overall cash position of the Village.

#### FINDING NUMBER 2012-005

##### Finding for Recovery – Repaid Under Audit

Ohio Rev. Code, Section 2949.091(A)(1), states that the court, in which any person is convicted of or pleads guilty to any offense that is not a moving violation, shall impose the sum of fifteen dollars as costs in the case in addition to any other court costs that the court is required by law to impose upon the offender. All such moneys collected during a month shall be transmitted on or before the twentieth day of the following month by the clerk of the court to the treasurer of state and deposited by the treasurer of state into the general revenue fund. The court shall not waive the payment of the additional fifteen dollars court costs, unless the court determines that the offender is indigent and waives the payment of all court costs imposed upon the indigent offender.

Prior to 2009, the court costs noted above were \$15; however, they were raised to \$20 in 2009. The Mayor's Court was not aware the court costs had increased and did not raise the court fees.

From January 1, 2011 to December 31, 2012, the Mayor's Court had 321 cases in which it collected and paid to the Treasurer of State of Ohio the \$15 fee. The Mayor's Court should have collected an additional \$1,605 that is due to the State of Ohio to be deposited by the Treasurer of State into the Indigent Defense Support Fund.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money due but not collected is hereby issued again the General Fund in the amount of \$1,605 and in favor of the State of Ohio, Indigent Defense Support Fund. The finding was paid by the Village of Seaman from its General Fund.

##### Officials' Response:

We have already either corrected or in the immediate process of correcting all of the noted violations. Most of the citations occurred during the previous mayor and fiscal officers terms but we will diligently work to correct any and all issues.



**VILLAGE OF SEAMAN  
ADAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011**

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>
2010-01	Ohio Admin. Code Section 117-2-02(A) – Transactions were not properly posted.	No	Not Corrected - Reissued as Finding Number 2012-001.
2010-02	Material Weakness - Segregation of Duties for Fiscal Officer.	No	Not Corrected - Reissued as Finding Number 2012-002.
2010-03	Ohio Rev. Code Section 5705.41(B) – Budgetary expenditures exceeded appropriations.	No	Not Corrected – Reissued as Finding Number 2012-004.

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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  
JANUARY 28, 2014**