

**VILLAGE OF SEVEN MILE**  
*BUTLER COUNTY, OHIO*

**FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2016 AND 2015**





# Dave Yost • Auditor of State

Village Council  
Village of Seven Mile  
201 High Street  
Seven Mile, Ohio 45062

We have reviewed the *Independent Auditor's Report* of the Village of Seven Mile, Butler County, prepared by Bastin & Company, LLC, for the audit period January 1, 2015 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Seven Mile is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

June 15, 2017

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**VILLAGE OF SEVEN MILE  
BUTLER COUNTY, OHIO**

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# Bastin & Company, LLC

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

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

To the Village Council:

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

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Seven Mile, Butler County, (the Village) as of and for the years ended December 31, 2016 and 2015.

### ***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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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 opinions.

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

As described in Note 2 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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, 2016 and 2015, or changes in financial position or cash flows thereof for the years 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 Seven Mile, Butler County as of December 31, 2016 and 2015, 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(D) permit, described in Note 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2017, 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.



Cincinnati, Ohio  
April 27, 2017



**Village of Seven Mile**  
*Butler County*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
**All Governmental Fund Types**  
*For the Year Ended December 31, 2016*

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 53,902	\$ -	\$ -	\$ 53,902
Intergovernmental	33,625	32,412	-	66,037
Charges for Services	15,000	57,505	-	72,505
Fines, Licenses and Permits	20,420	2,790	-	23,210
Earnings on Investments	143	160	-	303
Miscellaneous	1,951	7,991	-	9,942
<i>Total Cash Receipts</i>	<u>125,041</u>	<u>100,858</u>	<u>-</u>	<u>225,899</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	48,949	118,338	-	167,287
Leisure Time Activities	2,141	-	-	2,141
Basic Utility Services	644	-	-	644
Transportation	-	6,065	-	6,065
General Government	70,214	-	-	70,214
<i>Total Cash Disbursements</i>	<u>121,948</u>	<u>124,403</u>	<u>-</u>	<u>246,351</u>
<i>Net Change in Fund Cash Balances</i>	3,093	(23,545)	-	(20,452)
<i>Fund Cash Balances, January 1</i>	<u>30,152</u>	<u>459,077</u>	<u>7,633</u>	<u>496,862</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	435,532	7,633	443,165
Assigned	9,648	-	-	9,648
Unassigned	23,597	-	-	23,597
<i>Fund Cash Balances, December 31</i>	<u>\$ 33,245</u>	<u>\$ 435,532</u>	<u>\$ 7,633</u>	<u>\$ 476,410</u>

*See accompanying notes to the basic financial statements*

**Village of Seven Mile**  
*Butler County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Proprietary and Fiduciary Fund Types*  
*For the Year Ended December 31, 2016*

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 116,232	\$ -	\$ 116,232
Miscellaneous	248		248
<i>Total Operating Cash Receipts</i>	<u>116,480</u>	<u>-</u>	<u>116,480</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	14,307	-	14,307
Employee Fringe Benefits	1,436	-	1,436
Contractual Services	74,989	-	74,989
Supplies and Materials	24,390	-	24,390
<i>Total Operating Cash Disbursements</i>	<u>115,122</u>	<u>-</u>	<u>115,122</u>
<i>Operating Income (Loss)</i>	<u>1,358</u>	<u>-</u>	<u>1,358</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Principal Retirement	(29,592)	-	(29,592)
Interest and Other Fiscal Charges	(2,727)	-	(2,727)
Other Financing Sources	-	40,276	40,276
Other Financing Uses	-	(40,276)	(40,276)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(32,319)</u>	<u>-</u>	<u>(32,319)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(30,961)</u>	<u>-</u>	<u>(30,961)</u>
<i>Fund Cash Balances, January 1</i>	<u>79,064</u>	<u>-</u>	<u>79,064</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 48,103</u>	<u>\$ -</u>	<u>\$ 48,103</u>

*See accompanying notes to the basic financial statements*

**Village of Seven Mile**  
*Butler County*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
**All Governmental Fund Types**  
*For the Year Ended December 31, 2015*

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 51,542	\$ -	\$ -	\$ 51,542
Intergovernmental	26,628	39,345	-	65,973
Charges for Services	14,320	41,610	-	55,930
Fines, Licenses and Permits	7,806	1,144	-	8,950
Earnings on Investments	142	130	-	272
Miscellaneous	6,981	76,734	-	83,715
<i>Total Cash Receipts</i>	<u>107,419</u>	<u>158,963</u>	<u>-</u>	<u>266,382</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	57,356	34,553	-	91,909
Leisure Time Activities	2,054	-	-	2,054
Community Environment	-	198	-	198
Basic Utility Services	485	-	-	485
Transportation	-	43,336	-	43,336
General Government	66,736	-	-	66,736
<i>Total Cash Disbursements</i>	<u>126,631</u>	<u>78,087</u>	<u>-</u>	<u>204,718</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(19,212)</u>	<u>80,876</u>	<u>-</u>	<u>61,664</u>
<b>Other Financing Receipts (Disbursements):</b>				
Sale of Fixed Assets	1,850	-	-	1,850
<i>Total Other Financing Receipts (Disbursements)</i>	<u>1,850</u>	<u>-</u>	<u>-</u>	<u>1,850</u>
<i>Net Change in Fund Cash Balances</i>	(17,362)	80,876	-	63,514
<i>Fund Cash Balances, January 1</i>	<u>47,514</u>	<u>378,201</u>	<u>7,633</u>	<u>433,348</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	459,077	7,633	466,710
Assigned	5,576	-	-	5,576
Unassigned	24,576	-	-	24,576
<i>Fund Cash Balances, December 31</i>	<u>\$ 30,152</u>	<u>\$ 459,077</u>	<u>\$ 7,633</u>	<u>\$ 496,862</u>

*See accompanying notes to the basic financial statements*

**Village of Seven Mile**  
*Butler County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Proprietary and Fiduciary Fund Types*  
*For the Year Ended December 31, 2015*

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 131,763	\$ -	\$ 131,763
<i>Total Operating Cash Receipts</i>	<u>131,763</u>	<u>-</u>	<u>131,763</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	12,966	-	12,966
Employee Fringe Benefits	1,711	-	1,711
Contractual Services	73,964	-	73,964
Supplies and Materials	20,453	-	20,453
<i>Total Operating Cash Disbursements</i>	<u>109,094</u>	<u>-</u>	<u>109,094</u>
<i>Operating Income (Loss)</i>	<u>22,669</u>	<u>-</u>	<u>22,669</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Principal Retirement	(28,674)	-	(28,674)
Interest and Other Fiscal Charges	(5,003)	-	(5,003)
Other Financing Sources	-	12,426	12,426
Other Financing Uses	-	(12,426)	(12,426)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(33,677)</u>	<u>-</u>	<u>(33,677)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(11,008)</u>	<u>-</u>	<u>(11,008)</u>
<i>Fund Cash Balances, January 1</i>	<u>90,072</u>	<u>-</u>	<u>90,072</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 79,064</u>	<u>\$ -</u>	<u>\$ 79,064</u>

*See accompanying notes to the basic financial statements*

**VILLAGE OF SEVEN MILE  
Butler County, Ohio**

**Notes to the Financial Statements  
For the Years Ended December 31, 2016 and 2015**

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**Note 1 – Reporting Entity**

The Village of Seven Mile (the Village), Butler County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water utilities, fire and ambulance services, and police services.

***Public Entity Risk Pool***

The Village participates in a public entity risk pool. 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.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***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*** The Street Construction Maintenance and Repair Fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***Life Squad Fund*** - This fund receives charges for services for providing life squad services for the safety of the Village.

**VILLAGE OF SEVEN MILE**  
**Butler County, Ohio**

**Notes to the Financial Statements**  
**For the Years Ended December 31, 2016 and 2015**

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***Debt Service Fund*** This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

***Life Squad Bond Fund*** This fund accounts for the proceeds left over from a prior year tax levy issued by the Village for the purchase of life squad equipment.

***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*** The Water Fund receives charges for services from consumers and accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

***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 agency fund accounts for the financial activity of the Village Mayor's Court.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

***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. Unencumbered appropriations lapse at year end.

***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 approve estimated resources.

**VILLAGE OF SEVEN MILE**  
**Butler County, Ohio**

**Notes to the Financial Statements**  
**For the Years Ended December 31, 2016 and 2015**

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***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.

A summary of 2016 and 2015 budgetary activity appears in Note 4.

***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.

***Capital Assets***

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

***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.

***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:

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

***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.

***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.

***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.

**VILLAGE OF SEVEN MILE**  
**Butler County, Ohio**

**Notes to the Financial Statements**  
**For the Years Ended December 31, 2016 and 2015**

*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.

**Note 3 – Compliance**

Contrary to Ohio law, the Village had disbursements without prior certification of availability. In addition, budgetary expenditures exceeded appropriation authority in the Water Fund during 2016.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 126,569	\$ 125,041	\$ (1,528)
Special Revenue	122,266	100,858	(21,408)
Enterprise	104,000	116,480	12,480
Total	\$ 352,835	\$ 342,379	\$ (10,456)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 132,145	\$ 121,948	\$ 10,197
Special Revenue	296,867	124,403	172,464
Debt Services	7,633	-	7,633
Enterprise	123,280	147,441	(24,161)
Total	\$ 559,925	\$ 393,792	\$ 166,133



**VILLAGE OF SEVEN MILE**  
**Butler County, Ohio**

**Notes to the Financial Statements**  
**For the Years Ended December 31, 2016 and 2015**

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 111,454	\$ 109,269	\$ (2,185)
Special Revenue	132,675	158,963	26,288
Enterprise	147,885	131,763	(16,122)
Total	<u>\$ 392,014</u>	<u>\$ 399,995</u>	<u>\$ 7,981</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 154,797	\$ 129,968	\$ 24,829
Special Revenue	505,900	157,831	348,069
Enterprise	195,957	149,771	46,186
Total	<u>\$ 856,654</u>	<u>\$ 437,570</u>	<u>\$ 419,084</u>

**Note 5 – 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:

	2016	2015
Demand deposits	<u>\$524,513</u>	<u>\$575,926</u>

**Deposits**

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

**Note 6 – Property Taxes**

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.

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

**VILLAGE OF SEVEN MILE**  
**Butler County, Ohio**

**Notes to the Financial Statements**  
**For the Years Ended December 31, 2016 and 2015**

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**Note 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. 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 York. 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, 2016, PEP retained \$350,000 for casualty claims and \$100,000 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 auditor’s) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u>2016</u>
Assets	\$42,182,281
Liabilities	(13,396,700)
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool’s membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village’s share of these unpaid claims collectible in future years is approximately \$13,000.

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.

2016 Contributions to PEP  
\$21,425

**VILLAGE OF SEVEN MILE**  
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**Notes to the Financial Statements**  
**For the Years Ended December 31, 2016 and 2015**

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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.

**Note 8 – Defined Benefit Pension Plans**

*Ohio Public Employees Retirement System*

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2016, 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, 2016.

*Social Security*

Several of the Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**Note 9 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 10 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan #2870	\$ 57,987	2.20%
OWDA Loan #3056	29,156	6.24%
OWDA Loan #2871	7,535	2.00%
Total	<u>\$ 94,678</u>	

The Ohio Water Development Authority (OWDA) loans relate to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. The Village received the proceeds from

**VILLAGE OF SEVEN MILE**  
**Butler County, Ohio**

**Notes to the Financial Statements**  
**For the Years Ended December 31, 2016 and 2015**

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three separate loans from OWDA of \$392,530, \$136,929, and \$48,483 to improve the Village's existing water treatment plant. These loans are being repaid over a period of twenty-five years with final payments scheduled for 2019. Principal and interest are repaid semi-annually. The loans are collateralized by revenue from residents covering the cost of providing water utilities. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

Year ending December 31:	OWDA #2870	OWDA #3056	OWDA #2871	Total
2017	\$ 20,105	\$ 10,304	\$ 2,615	\$ 33,024
2018	20,105	10,509	2,615	33,229
2019	20,105	10,726	2,615	33,446
Total	<u>\$ 60,315</u>	<u>\$ 31,539</u>	<u>\$ 7,845</u>	<u>\$ 99,699</u>

**Note 11 – Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Bastin & Company, LLC**  
*Certified Public Accountants*

**INDEPENDENT AUDITOR'S 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 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 cash balances, receipts, and disbursements by fund type of the Village of Seven Mile, Butler County, (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated April 27, 2017 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Internal Controls 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 opinions 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 Village'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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-01 to be a material weakness.

### ***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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-02 and 2016-03.

### ***Village'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.

A handwritten signature in cursive script that reads "Bastin & Company, L L C". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio  
April 27, 2017

**VILLAGE OF SEVEN MILE  
BUTLER COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015**

**FINDING NUMBER 2016-01**

Material Weakness - Financial Reporting

We identified misstatements in the financial statements that were not initially identified by the Village's internal control. Adjustments were necessary to correct the Village's financial statements. The adjustments made are as follows:

- For 2015 an adjustment totaling \$2,297 was made to properly record or allocate motor vehicle registration, cents-per-gallon and gasoline tax monies into the Street Construction, Maintenance and Repair Fund. The Village had recorded \$1,427 in the State Highway Fund and \$870 in the Permissive Motor Vehicle License Tax Fund.
- For 2015, a reclassification totaling \$3,100 was made to properly record a receipt for a fire service contract in the General Fund. The Village had recorded the receipt as property taxes .
- For 2015, a reclassification totaling \$4,055 was made to properly record an insurance reimbursement as miscellaneous in the Life Squad Fund. The Village had recorded the receipt as charges for services.
- For 2016, adjustments totaling \$679 were made to properly record or allocate motor vehicle registration, cents-per-gallon and gasoline tax monies into the Street Construction, Maintenance and Repair Fund and \$112 to the State Highway Fund. The Village had recorded \$791 in the Permissive Motor Vehicle License Tax Fund.
- For 2016, an adjustment totaling \$480 was made to properly record a grant receipt into the Police Grant Fund. The Village had recorded the receipt in the Permissive Motor Vehicle License Tax Fund.
- For 2016, an adjustment totaling \$7,629 was made to properly record an insurance reimbursement receipt into the Life Squad Fund. The Village had recorded the receipt in the Mayor's Court Computer Fund.
- For 2016, an adjustment totaling \$4,976 was made to properly record a local government funding receipt into the General Fund. The Village had incorrectly recorded the receipt as \$4,603 in the Street Construction, Maintenance and Repair Fund and \$373 in the State Highway Fund.
- For 2016 and 2015, a portion of the General Fund's unassigned fund cash balance was reclassified to assigned fund balance in the amounts of \$9,648 and \$2,239, respectively. The reclassification was made to report the portion of year end fund cash balance that has been assigned to fund the subsequent year's appropriations in accordance with the requirements of GASB 54.
- In addition, for 2016, the Village's accounting system was not updated to properly reflect budgeted receipts as established by the certificate of estimated resources approved by the County Budget Commission.

The Village's financial statements and footnotes have been adjusted to reflect proper amounts.

The presentation of materially correct financial statements and the related footnotes is the responsibility of management. We recommend that the Village implement control procedures that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes.

### **Village's Response**

The Village will correct the recording of these items in the future.

## **FINDING NUMBER 2016-02**

### **Noncompliance - Certification of Fund Availability**

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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.



During fiscal years 2016 and 2015, 37.5 percent of purchase orders tested were not properly certified prior to incurring the obligation.

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.

**Village's Response**

The Village will attempt to ensure certifications are properly performed in the future.

**FINDING NUMBER 2016-03**

**Noncompliance - Budgetary Expenditures Exceeded Appropriation Authority**

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. During 2016, the Village had budgetary expenditures in excess of appropriations in the Water Fund totaling \$24,161.

We recommend that the Village implement appropriate procedures, such as periodic comparisons of expenditures to appropriations, to ensure that expenditures are limited to authorized appropriated amounts.

**Village's Response**

The Village will attempt to ensure expenditures are within appropriated limits in the future.

**VILLAGE OF SEVEN MILE  
BUTLER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2016 AND 2015**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Status Explanation</b>
2014-01	Internal controls over financial reporting-audit adjustments.	No	Reissued as Finding 2016-01.
2014-02	Certification of expenditures-noncompliance citation.	No	Reissued as Finding 2016-02.



# Dave Yost • Auditor of State

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  
JUNE 27, 2017