



**Auditor of State
Betty Montgomery**

VILLAGE OF SEAMAN
ADAMS COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Seaman
Adams County
P. O. Box 248
Seaman, Ohio 45679

To the Village Council:

We have audited the accompanying financial statements of the Village of Seaman, Adams County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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Betty Montgomery
Auditor of State

July 9, 2003

**VILLAGE OF SEAMAN
ADAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property Tax and Other Local Taxes	\$79,072	\$3,963	\$0	\$0	\$83,035
Intergovernmental Receipts	31,676	26,985		28,100	86,761
Charges for Services	5,746				5,746
Fines, Licenses, and Permits	37,232	458			37,690
Earnings on Investments	494				494
Miscellaneous	7,908				7,908
Total Cash Receipts	162,128	31,406	0	28,100	221,634
Cash Disbursements:					
Current:					
Security of Persons and Property	104,161	11,393			115,554
Public Health Services	3,050				3,050
Transportation		14,731			14,731
General Government	61,553	2,000			63,553
Debt Service:					
Principal Payments			23,543		23,543
Interest and Fiscal Charges			5,691		5,691
Capital Outlay	8,550			28,100	36,650
Total Cash Disbursements	177,314	28,124	29,234	28,100	262,772
Total Receipts Over/(Under) Disbursements	(15,186)	3,282	(29,234)	0	(41,138)
Other Financing Receipts and (Disbursements):					
Transfers-In	0		29,234		29,234
Transfers-Out	(4,000)				(4,000)
Total Other Financing Receipts/(Disbursements)	(4,000)	0	29,234	0	25,234
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(19,186)	3,282			(15,904)
Fund Cash Balances, January 1	24,000	10,041	0	0	34,041
Fund Cash Balances, December 31	\$4,814	\$13,323	\$0	\$0	\$18,137
Reserves for Encumbrances, December 31	\$70	\$584	\$0	\$0	\$654

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

**VILLAGE OF SEAMAN
ADAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$346,856		\$346,856
Total Operating Cash Receipts	<u>346,856</u>	<u>0</u>	<u>346,856</u>
Operating Cash Disbursements:			
Personal Services	107,173		107,173
Contractual Services	179,912		179,912
Supplies and Materials	34,327		34,327
Capital Outlay	4,525		4,525
Total Operating Cash Disbursements	<u>325,937</u>	<u>0</u>	<u>325,937</u>
Operating Income/(Loss)	<u>20,919</u>	<u>0</u>	<u>20,919</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	0	46,376	46,376
Total Non-Operating Cash Receipts	<u>0</u>	<u>46,376</u>	<u>46,376</u>
Non-Operating Cash Disbursements:			
Debt Service	5,325	0	5,325
Other Non-Operating Cash Disbursements	0	45,415	45,415
Total Non-Operating Cash Disbursements	<u>5,325</u>	<u>45,415</u>	<u>50,740</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	15,594	961	16,555
Transfers-In	6,000		6,000
Transfers-Out	(31,234)		(31,234)
Net Receipts Over/(Under) Disbursements	(9,640)	961	(8,679)
Fund Cash Balances, January 1	<u>34,511</u>	<u>3,691</u>	<u>38,202</u>
Fund Cash Balances, December 31	<u>\$24,871</u>	<u>\$4,652</u>	<u>\$29,523</u>
Reserve for Encumbrances, December 31	<u>\$12,073</u>	<u>\$0</u>	<u>\$12,073</u>

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

**VILLAGE OF SEAMAN
ADAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property Tax and Other Local Taxes	\$82,291	\$3,911	\$0	\$0	\$86,202
Intergovernmental Receipts	39,831	27,502		145,841	213,174
Charges for Services	5,529				5,529
Fines, Licenses, and Permits	69,933	503			70,436
Earnings on Investments	1,786				1,786
Miscellaneous	11,912	3,050			14,962
Total Cash Receipts	211,282	34,966	0	145,841	392,089
Cash Disbursements:					
Current:					
Security of Persons and Property	127,408	13,815			141,223
Public Health Services	2,311				2,311
Transportation		20,412			20,412
General Government	69,576	3,050			72,626
Debt Service:					
Principal Payments			23,079		23,079
Interest & Fiscal Charges			6,195		6,195
Capital Outlay	259			145,841	146,100
Total Cash Disbursements	199,554	37,277	29,274	145,841	411,946
Total Receipts Over/(Under) Disbursements	11,728	(2,311)	(29,274)	0	(19,857)
Other Financing Receipts and (Disbursements):					
Other Financing Sources	6,080				6,080
Other Financing Uses	(7,177)		(228)		(7,405)
Transfers-In			29,274		29,274
Total Other Financing Receipts/(Disbursements)	(1,097)	0	29,046	0	27,949
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	10,631	(2,311)	(228)	0	8,092
Fund Cash Balances, January 1	13,369	12,352	228		25,949
Fund Cash Balances, December 31	\$24,000	\$10,041	\$0	\$0	\$34,041
Reserves for Encumbrances, December 31	\$1,772	\$472	\$0	\$0	\$2,244

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

**VILLAGE OF SEAMAN
ADAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$326,204	\$0	\$326,204
Miscellaneous	5,786		5,786
Total Operating Cash Receipts	<u>331,990</u>	<u>0</u>	<u>331,990</u>
Operating Cash Disbursements:			
Personal Services	82,152		82,152
Employee Fringe Benefits	16,840		16,840
Contractual Services	133,116		133,116
Supplies and Materials	77,401		77,401
Capital Outlay	39,854		39,854
Total Operating Cash Disbursements	<u>349,363</u>	<u>0</u>	<u>349,363</u>
Operating Income/(Loss)	<u>(17,373)</u>	<u>0</u>	<u>(17,373)</u>
Non-Operating Cash Receipts:			
Proceeds from Notes and Bonds	10,000		10,000
Other Non-Operating Receipts		81,832	81,832
Total Non-Operating Cash Receipts	<u>10,000</u>	<u>81,832</u>	<u>91,832</u>
Non-Operating Cash Disbursements:			
Debt Service	1,331		1,331
Other Non-Operating Cash Disbursements		83,339	83,339
Total Non-Operating Cash Disbursements	<u>1,331</u>	<u>83,339</u>	<u>84,670</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(8,704)	(1,507)	(10,211)
Transfers-In	6,000		6,000
Transfers-Out	<u>(35,274)</u>		<u>(35,274)</u>
Net Receipts Over/(Under) Disbursements	(37,978)	(1,507)	(39,485)
Fund Cash Balances, January 1	<u>72,489</u>	<u>5,198</u>	<u>77,687</u>
Fund Cash Balances, December 31	<u>\$34,511</u>	<u>\$3,691</u>	<u>\$38,202</u>
Reserve for Encumbrances, December 31	<u>\$9,715</u>	<u>\$0</u>	<u>\$9,715</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, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Seaman, Adams County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, park operations (leisure time activities), road maintenance, street lighting and police services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Deposits

The Village maintains several checking accounts and Certificates of deposit which are valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund

This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

State Highway Fund

This fund receives gasoline tax and motor vehicle license tax money for maintaining and repairing state highways within the Village.

**VILLAGE OF SEAMAN
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permissive Motor Vehicle License Tax Fund

This fund receives proceeds from taxes levied on all motor vehicle license sold in the Village for street maintenance and repairs.

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following debt service fund:

Sewer Debt Fund

Used to retire debt from the Ohio Water Development Authority loan.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had only one capital project fund.

Issue II Fund

Used to account for receipts that are restricted for the acquisition or construction of major capital projects financed through grant funds received from the state.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Operating Fund

Receives charges for services from residents to cover the costs associated with providing the utility.

Sewer Operating Fund

Receives charges for services from residents to cover costs associated with providing the utility.

6. Fiduciary Funds

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a non-expendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

**VILLAGE OF SEAMAN
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mayor's Court

Account for proceeds of court cases handles by the Mayor's Court.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees entitled to cash payments for unused vacation and sick leave in certain circumstances (termination of employment). Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

**VILLAGE OF SEAMAN
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	2002	2001
Demand deposits	\$47,660	\$62,243
Certificates of deposit	0	10,000
Total deposits	\$47,660	\$72,243

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, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts

	Budgeted Receipts	Actual Receipts	Variance
General	\$212,120	\$162,128	(\$49,992)
Special Revenue	28,000	31,406	3,406
Debt Service		29,234	29,234
Capital Projects	150,000	28,100	(121,900)
Enterprise	356,000	352,856	(3,144)
Total	\$746,120	\$603,724	(\$142,396)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation Authority	Budgetary Expenditures	Variance
General	\$234,335	\$181,384	\$52,951
Special Revenue	34,284	28,708	5,576
Debt Service	10,340	29,234	(18,894)
Capital Projects	150,000	28,100	121,900
Enterprise	392,338	374,569	17,769
Total	\$821,297	\$641,995	\$179,302

2001 Budgeted vs. Actual Receipts

	Budgeted Receipts	Actual Receipts	Variance
General	\$204,775	\$217,362	\$12,587
Special Revenue	33,377	34,966	1,589
Debt Service	29,274	29,274	0
Capital Projects	178,710	145,841	(32,869)
Enterprise	366,000	347,990	(18,010)
Total	\$812,136	\$775,433	(\$36,703)

**VILLAGE OF SEAMAN
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$158,198	\$208,503	(\$50,305)
Special Revenue	40,352	37,749	2,603
Debt Service	29,630	29,502	128
Capital Projects	150,000	145,841	4,159
Enterprise	437,870	395,683	42,187
Total	\$816,050	\$817,278	(\$1,228)

Expenditures exceeded appropriations in the General Fund in 2001 and the Sewer Debt Fund in 2002. Appropriations exceeded estimated resources in the Street Construction Fund, the State Highway Fund, and the Sewer Debt Fund in 2001. Also, the Village did not obtain prior certification of the fiscal officer for all purchases.

4. PROPERTY TAX

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

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

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

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

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

Ohio Water Development Authority Loan	\$ 263,078	2%
Easement Loan	3,916	4.87%
	\$ 266,994	

**VILLAGE OF SEAMAN
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. DEBT (Continued)

The Ohio Water Development Authority loan relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$476,069 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$14,579, including interest, over 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The bank loan from First State Bank relates to a settlement with the Altus Metals Company requiring the Village to pay Altus Metals for the cost of an easement for sewer lines that were installed by the Village.

Amortization of the above debt outstanding as of 12/31/02, including interest payments of \$31,990 is scheduled as follows:

Year ending December 31:	OWDA Loan	First State Bank Easement Loan
2003	\$ 29,158	\$ 3,995
2004	29,158	
2005	29,158	
2006	29,158	
2007	29,158	
Subsequent	145,790	
Total	\$ 291,580	\$ 3,995

6. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of the participant's wages. PERS members contributed 8.5 % of their gross salaries to PERS and the Village contributed an amount equal to 13.55% of participant's gross salaries. The Village has paid all contributions required through December 31, 2002.

**VILLAGE OF SEAMAN
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

7. RISK MANAGEMENT

Commercial Insurance

The Village is a member of the Ohio Municipal League Joint Self Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public official's liability
- Vehicle

The Village also provides health insurance coverage to full-time employees through a private carrier.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Seaman
Adams County
P. O. Box 248
Seaman, Ohio 45679

To the Village Council:

We have audited the accompanying financial statements of the Village of Seaman, Adams County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated July 9, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 through 2002-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 9, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2002-003 and 2002-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated July 9, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 9, 2003

**VILLAGE OF SEAMAN
ADAMS COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-001

Noncompliance Citation

Ohio Rev. Code, Section 5705.39, requires that the total appropriations from each fund not exceed the total estimated revenue for that fund. Appropriations exceeded estimated resources in the following funds:

2001	Appropriations	Total Estimated Resources	Variance
Street Construction, Maint. & Repair Fund	\$28,966	\$25,199	(\$3,767)
State Highway Fund	2,510	2,205	(\$305)
Sewer Debt Fund	10,340	0	(\$10,340)

We recommend that appropriations only be approved by Council for an amount not exceeding the amount of estimated resources.

FINDING NUMBER 2002-002

Noncompliance Citation

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

2001				
Fund	Appropriations	Expenditures	Variance	
General	\$ 158,198	\$ 208,503	\$ (50,305)	
2002				
Fund	Appropriations	Expenditures	Variance	
Sewer Debt	\$ 10,340	\$ 29,234	\$ (18,894)	

The Clerk should deny payment requests exceeding appropriations. The Clerk may request the Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2002-003

Noncompliance Citation/Reportable Condition

Ohio Rev. 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.

**FINDING NUMBER 2002-003
 (Continued)**

This section also provides for two “exceptions” to the above requirements:

- A. Then-and-Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000 dollars, the Clerk-Treasurer may authorize payment through a Then-and-Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need be certified.

Contrary to the above requirement, the availability of funds was not certified for all commitments for the following funds at December 31:

	Amount not Certified	
	2001	2002
General Fund	\$1,772	\$70
Street Construction, Maint. & Repair Fund	\$472	\$484
Water Fund	\$8,637	\$9,871

Additionally, prior certification was not obtained for 47% of the vouchers reviewed, and neither of the two certification exceptions described above was utilized. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash fund balances.

Therefore, we recommend the Village obtain approved purchase orders, which contain the Clerk’s certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment. Note 3 has been adjusted to include the material amounts not certified.

FINDING NUMBER 2002-004

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 5705.10, requires that monies paid into any fund shall be used only for the purposes for which such fund is established. The following fund had a negative fund balance in 2001 as follows as a result of correcting a cash adjustment entry that was not necessary:

2001 Fund	Year End Balance
Permissive Motor Vehicle License	\$(326)

Negative fund balances indicate that money from one fund was used to cover the expenses of another fund. We recommend that greater care be exercised when making adjusting entries to determine that they are necessary and later corrections will not result in negative fund balances.

**VILLAGE OF SEAMAN
ADAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-30401-001	Disbursements exceeded appropriations, contrary to Ohio Rev. Code, Section 5705.41(B).	No	See Schedule of Findings – Item 2002-002.
2000-30401-002	Year end encumbrances were not included with the certificate of the total amount from all sources which is available for expenditures, and balances, contrary to Ohio Rev. Code, Section 5705.36.	No	Partially corrected. Amounts were not certified for all commitments. See Schedule of Findings – Item 2002-003.
2000-30401-003	Appropriations exceeded estimated resources, contrary to Ohio Rev. Code, Section 5705.39.	No	See Schedule of Findings – Item 2002-001.
2000-30401-004	Certification of availability of funds was not done for 47% and availability of funds was not certified for all commitments at December 31, contrary to Ohio Rev. Code, Section 5705.41(D).	No	See Schedule of Findings – Item 2002-003.
2000-30401-005	The Village did not make the required annual deposit of \$6,000 into the sewer Operation, Maintenance, and Repair Fund, contrary to Local Ordinance #1990-17, Sanitary Sewer Ordinance.	Yes	N/A



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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
AUGUST 19, 2003**