



Mary Taylor, CPA
Auditor of State

VILLAGE OF SEVEN MILE
BUTLER COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2008.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2007.....	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings	19
Schedule of Prior Audit Findings	27

This page intentionally left blank.



Mary Taylor, CPA
Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 13, 2010

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Seven Mile, Butler County, Ohio (the Village) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Seven Mile, Butler County, Ohio, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

January 13, 2010

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property and Local Taxes	\$41,264		\$0		\$41,264
Intergovernmental	46,751	\$180,655		\$15,241	242,647
Charges for Services	13,475	33,790			47,265
Fines, Licenses and Permits	15,391	1,150			16,541
Earnings on Investments	5,727	1,840			7,567
Miscellaneous	7,886				7,886
Total Cash Receipts	<u>130,494</u>	<u>217,435</u>	<u>0</u>	<u>15,241</u>	<u>363,170</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	74,113	177,574			251,687
Leisure Time Activities	3,194				3,194
Basic Utility Service	509				509
Transportation		16,998			16,998
General Government	68,851				68,851
Capital Outlay				15,241	15,241
Total Cash Disbursements	<u>146,667</u>	<u>194,572</u>	<u>0</u>	<u>15,241</u>	<u>356,480</u>
Total Receipts Over/(Under) Disbursements	<u>(16,173)</u>	<u>22,863</u>	<u>0</u>	<u>0</u>	<u>6,690</u>
Other Financing Receipts / (Disbursements)					
Transfers-In		7,150			7,150
Transfers-Out	(7,150)				(7,150)
Other Financing Sources	11,181				11,181
Total Other Financing Receipts / (Disbursements)	<u>4,031</u>	<u>7,150</u>	<u>0</u>	<u>0</u>	<u>11,181</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(12,142)</u>	<u>30,013</u>	<u>0</u>	<u>0</u>	<u>17,871</u>
Fund Cash Balances, January 1	<u>65,070</u>	<u>298,358</u>	<u>7,633</u>	<u>0</u>	<u>371,061</u>
Fund Cash Balances, December 31	<u>\$52,928</u>	<u>\$328,371</u>	<u>\$7,633</u>	<u>\$0</u>	<u>\$388,932</u>
Reserve for Encumbrances, December 31	<u>\$3,913</u>	<u>\$1,518</u>	<u>\$0</u>	<u>\$0</u>	<u>\$5,431</u>

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

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$133,810	\$0	\$133,810
Total Operating Cash Receipts	<u>133,810</u>	<u>0</u>	<u>133,810</u>
Operating Cash Disbursements:			
Personal Services	13,300		13,300
Employee Fringe Benefits	2,417		2,417
Contractual Services	80,837		80,837
Supplies and Materials	8,263		8,263
Total Operating Cash Disbursements	<u>104,817</u>	<u>0</u>	<u>104,817</u>
Operating Income	<u>28,993</u>	<u>0</u>	<u>28,993</u>
Non-Operating Cash Receipts:			
Miscellaneous Receipts	655		655
Other Non-Operating Cash Receipts		12,849	12,849
Total Non-Operating Cash Receipts	<u>655</u>	<u>12,849</u>	<u>13,504</u>
Non-Operating Cash Disbursements:			
Capital Outlay	2,077		2,077
Redemption of Principal	23,155		23,155
Interest and Other Fiscal Charges	10,523		10,523
Other Non-Operating Cash Disbursements		12,849	12,849
Total Non-Operating Cash Disbursements	<u>35,755</u>	<u>12,849</u>	<u>48,604</u>
Net Receipts (Under) Disbursements	(6,107)	0	(6,107)
Fund Cash Balances, January 1	<u>124,638</u>	<u>0</u>	<u>124,638</u>
Fund Cash Balances, December 31	<u>\$118,531</u>	<u>\$0</u>	<u>\$118,531</u>
Reserve for Encumbrances, December 31	<u>\$8,487</u>	<u>\$0</u>	<u>\$8,487</u>

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

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Local Taxes	\$41,613		\$665	\$42,278
Intergovernmental	52,992	\$39,311		92,303
Charges for Services	7,750	48,049		55,799
Fines, Licenses and Permits	18,096	1,345		19,441
Earnings on Investments	7,668	3,307		10,975
Miscellaneous	7,620	1,170		8,790
	<u>135,739</u>	<u>93,182</u>	<u>665</u>	<u>229,586</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	47,621	20,930		68,551
Public Health Services	91			91
Leisure Time Activities	7,251			7,251
Community Environment	657			657
Basic Utility Service	299			299
Transportation		10,528		10,528
General Government	68,709	1,500		70,209
Debt Service:				
Redemption of Principal			10,000	10,000
Interest and Fiscal Charges			515	515
	<u>124,628</u>	<u>32,958</u>	<u>10,515</u>	<u>168,101</u>
Total Cash Disbursements	<u>124,628</u>	<u>32,958</u>	<u>10,515</u>	<u>168,101</u>
Total Receipts Over/(Under) Disbursements	<u>11,111</u>	<u>60,224</u>	<u>(9,850)</u>	<u>61,485</u>
Other Financing Receipts:				
Other Financing Sources	685			685
	<u>685</u>	<u>0</u>	<u>0</u>	<u>685</u>
Total Other Financing Receipts	<u>685</u>	<u>0</u>	<u>0</u>	<u>685</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	11,796	60,224	(9,850)	62,170
Fund Cash Balances, January 1	53,274	238,134	17,483	308,891
Fund Cash Balances, December 31	<u>\$65,070</u>	<u>\$298,358</u>	<u>\$7,633</u>	<u>\$371,061</u>
Reserve for Encumbrances, December 31	<u>\$5,397</u>	<u>\$3,899</u>	<u>\$0</u>	<u>\$9,296</u>

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

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$147,005	\$0	\$147,005
Total Operating Cash Receipts	<u>147,005</u>	<u>0</u>	<u>147,005</u>
Operating Cash Disbursements:			
Personal Services	13,550		13,550
Employee Fringe Benefits	2,276		2,276
Contractual Services	76,932		76,932
Supplies and Materials	11,900		11,900
Total Operating Cash Disbursements	<u>104,658</u>	<u>0</u>	<u>104,658</u>
Operating Income	<u>42,347</u>	<u>0</u>	<u>42,347</u>
Non-Operating Cash Receipts:			
Other Non-Operating Cash Receipts		15,433	15,433
Total Non-Operating Cash Receipts	<u>0</u>	<u>15,433</u>	<u>15,433</u>
Non-Operating Cash Disbursements:			
Redemption of Principal	22,822		22,822
Interest and Other Fiscal Charges	11,125		11,125
Other Non-Operating Cash Disbursements		15,433	15,433
Total Non-Operating Cash Disbursements	<u>33,947</u>	<u>15,433</u>	<u>49,380</u>
Net Receipts Over Disbursements	8,400	0	8,400
Fund Cash Balances, January 1	<u>116,238</u>	<u>0</u>	<u>116,238</u>
Fund Cash Balances, December 31	<u>\$124,638</u>	<u>\$0</u>	<u>\$124,638</u>
Reserve for Encumbrances, December 31	<u>\$6,264</u>	<u>\$0</u>	<u>\$6,264</u>

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

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

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

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

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

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

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

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

3. Debt Service Fund

This fund accounts for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

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

4. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Capital Projects Fund – This fund receives grant money for constructing, maintaining, and repairing Village streets.

5. Enterprise Fund

This fund accounts for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

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

6. Fiduciary Fund (Agency Fund)

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

E. Budgetary Process

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

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2008 and 2007 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

2. Equity in Pooled Deposits and Investments

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

	2008	2007
Demand deposits	\$224,549	\$219,783
Certificates of deposit	110,384	107,694
Total deposits	334,933	327,477
STAR Ohio	172,530	168,222
Total investments	172,530	168,222
Total deposits and investments	\$507,463	\$495,699

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

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

2. Equity in Pooled Deposits and Investments (Continued)

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$115,342	\$141,675	\$26,333
Special Revenue	123,681	224,585	100,904
Capital Projects	36,000	15,241	(20,759)
Enterprise	122,633	134,465	11,832
Total	\$397,656	\$515,966	\$118,310

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$168,030	\$157,730	\$10,300
Special Revenue	530,133	196,090	334,043
Debt Service	7,633	0	7,633
Capital Projects	36,000	15,241	20,759
Enterprise	266,649	149,059	117,590
Total	\$1,008,445	\$518,120	\$490,325

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$117,320	\$136,424	\$19,104
Special Revenue	75,201	93,182	17,981
Debt Service	5,519	665	(4,854)
Capital Projects	82,000	0	(82,000)
Enterprise	148,718	147,005	(1,713)
Total	\$428,758	\$377,276	(\$51,482)

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity (Continued)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$146,013	\$130,025	\$15,988
Special Revenue	121,870	36,857	85,013
Debt Service	10,270	10,515	(245)
Enterprise	277,355	144,869	132,486
Total	\$555,508	\$322,266	\$233,242

Contrary to Ohio law, appropriations exceeded available resources for the Life Squad Bond & Coupon Fund at December 31, 2007, and the Street Fund, Life Squad Fund, and Grant Construction Fund at December 31, 2008.

Contrary to Ohio law, appropriations exceeded estimated resources for the State Highway Fund at December 31, 2007, and the Law Enforcement Fund, Permissive Motor Vehicle License Tax Fund, and Water Fund at December 31, 2008.

Contrary to Ohio law, expenditures exceeded appropriations for the Life Squad Fund and Life Squad Bond & Coupon Fund at December 31, 2007, and the Federal Grant Fund at December 31, 2008.

Contrary to Ohio law, Council did not approve transfers from the General Fund to the Life Squad Fund and Water Fund.

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.

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

5. Debt

Debt outstanding at December 31, 2008 was as follows:

	Principal	Interest Rate
1995 Ohio Water Development Authority Loan #2870	\$196,773	2%
1997 Ohio Water Development Authority Loan #2871	25,587	2%
1995 Ohio Water Development Authority Loan #3056	85,364	6.24%
Total	\$307,724	

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

At December 31, 2006 the Village had \$10,000 outstanding in 1997 life squad bonds. The Village paid off these bonds during 2007.

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

	OWDA Loan #2870	OWDA Loan #2871	OWDA Loan #3056
Year ending December 31:			
2009	\$20,106	\$2,615	\$10,957
2010	20,106	2,615	10,957
2011	20,106	2,615	10,957
2012	20,106	2,615	10,957
2013	20,106	2,615	10,957
2014-2018	100,530	13,075	54,785
2019-2023	20,106	2,615	10,957
Total	\$221,166	\$28,765	\$120,527

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10 and 9.5%, respectively, of their gross salaries and the Village contributed an amount equaling 14 and 13.85%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. Risk Management

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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2008, 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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Assets	\$35,769,535	\$37,560,071
Liabilities	<u>(15,310,206)</u>	<u>(17,340,825)</u>
Net Assets	<u>\$20,459,329</u>	<u>\$20,219,246</u>

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. Risk Management (Continued)

At December 31, 2008 and 2007, respectively, the liabilities above include approximately \$13.8 million and \$15.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2008, and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$16,267.

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>	
2007	\$18,180
2008	\$16,770

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

8. Compliance

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



Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Seven Mile, Butler County, Ohio (the Village), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated January 13, 2010, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2008-001, 2008-002, 2008-004, 2008-005, and 2008-007 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings number 2008-001, 2008-002, and 2008-007 are also material weaknesses.

We also noted certain matters that we reported to the Village's management in a separate letter dated January 13, 2010.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-003, 2008-006 and 2008-007.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated January 13, 2010.

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



Mary Taylor, CPA
Auditor of State

January 13, 2010

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

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

FINDING NUMBER 2008-001

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Village did not accurately reconcile its bank account to fund balances for the audit period. Examples of discrepancies found are:

- The Village posted fund balance adjustments of \$8,342 for 2007 and \$4,982 for 2008. There was no support for these fund balance adjustments. Council did not approve these fund balance adjustments.
- The Village had outstanding checks on the outstanding check list that cleared the bank and did not include checks that had not cleared the bank.
- The Village did not post all interest for certificates of deposit with interest that was re-invested. The Village had unrecorded interest for these certificates of deposit of \$935 at December 31, 2008. The unrecorded interest of \$935 is carried as a reconciling item at December 31, 2008. An adjustment was not made to the accompanying financial statements for this amount.
- The Village overstated \$10,254 of interest in 2007 [\$1,898 from the regular checking account, \$6,531 from Star Ohio, and \$1,825 from certificates of deposit].
- The Village did not properly report investment amounts in the UAN system for 2007 and 2008. The Village overstated certificates of deposit by \$1,426 at December 31, 2007, and by \$4,555 at December 31, 2008.
- After incorrectly posting interest to the UAN system in 2007, the Village was not able to reconcile the bank balance to the book balance. Therefore, the Village posted fund balance adjustments so that the accounts would reconcile.

The Village posted adjustments to the financial statements and, where applicable, the accounting records for the discrepancies, except as noted above.

In addition, the reconciled bank balance does not equal the adjusted book balance at December 31, 2007 and December 31, 2008. The reconciled bank balance is \$709 higher than the adjusted book balance (after audit adjustments) at December 31, 2007; the reconciled bank balance is \$2,467 higher than the adjusted book balance at December 31, 2008 (after audit adjustments).

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

**FINDING NUMBER 2008-001
(Continued)**

We recommend the Village reconcile accurately on a monthly basis. The Village should document and adequately explain all other adjustment factors. Deposits in transit should be documented by receipt numbers reflecting the date, amount, and source of the deposit in transit. These deposits in transit should trace to the subsequent month's bank statement. Village officials should review and sign the reconciliations indicating their approval. Adjustments should be documented, and any unexplained differences should be investigated and resolved immediately. Outstanding checks older than six months should be investigated and appropriate actions taken to remove them from the reconciliation if they no longer apply. To improve record keeping and accountability of receipts we recommend that the Village properly post all interest and investment activity. For guidance the Village should utilize the Village Officer's Handbook. The Village should maintain proper supporting documentation for all fund balance adjustments. The Village Council should approve all fund balance adjustments.

FINDING NUMBER 2008-002

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Village lacks management oversight in the posting of financial activity. This lack of oversight is illustrated by the following:

- In 2007 the Village posted intangible tax (\$487) to Taxes instead Intergovernmental in the General Fund.
- In 2007 the Village double posted an auto license tax settlement (\$388) to the UAN system (to the Street and State Highway Funds).
- In 2007 the Village posted gasoline-cents per gallon tax entirely to the Permissive Motor Vehicle License Tax Fund (\$1,885) instead of the Street Fund (\$1,744) and State Highway Fund (\$141).
- In 2007 the Village posted gasoline-cents per gallon tax entirely to the State Highway Fund (\$846) instead of allocating part of the tax (\$782) to the Street Fund.
- In 2007 the Village posted gas tax entirely to the State Highway Fund (\$1,809) instead of the Street Fund (\$1,673) and State Highway Fund (\$136).
- In 2007 the Village posted gas tax entirely to the Permissive Motor Vehicle License Tax Fund (\$3,565) instead of the Street Fund (\$3,298) and State Highway Fund (\$267).
- In 2007 the Village posted homestead/rollback (\$5,029) to Taxes instead of Intergovernmental in the General Fund.
- In 2007 the Village posted a liquor permit settlement (\$88) to the Permissive Motor Vehicle License Tax Fund instead of the General Fund.
- In 2007 the Village posted permissive motor vehicle license tax (\$532) to the General Fund instead of the Permissive Motor Vehicle License Tax Fund.
- In 2007 the Village posted permissive motor vehicle license tax (\$155) to the Street Fund (\$143) and State Highway Fund (\$12) instead of the Permissive Motor Vehicle License Tax Fund.

**FINDING NUMBER 2008-002
 (Continued)**

- In 2007 the Village posted personal property tax (\$351) to Intergovernmental instead of Taxes in the Debt Service Fund.
- In 2008 the Village posted an excess kilowatt distribution (\$149) to Taxes instead of Intergovernmental in the General Fund.
- In 2008 the Village posted gas tax entirely to the State Highway Fund (\$536) instead of allocating part of the tax (\$496) to the Street Fund.
- In 2008 the Village posted homestead/rollback (\$7,027) to Taxes instead of Intergovernmental in the General Fund.
- In 2008 the Village posted permissive motor vehicle license tax (\$173) to the General Fund instead of the Permissive Motor Vehicle License Tax Fund.
- In 2008 the Village posted gasoline-cents per gallon tax entirely to the State Highway Fund (\$912) instead of allocating part of the tax (\$844) to the Street Fund.
- The Village double-posted \$76 of May 2007's Mayor's Court distribution [Receipt #270-2007 on July 31, 2007] to the Police Equipment Fund. In 2007 the Village posted \$140 to the Mayor's Court Computer Fund instead of the Police Equipment Fund. In 2007 the Village posted \$144 to the DUI Fund instead of the Police Equipment Fund. We recommend that the Village use due care when posting revenue from the Mayor's Court.

Adjustments were needed to properly classify the monies received. The net adjustments made to each fund balance is as follows:

Fund	2007	2008
General Fund	\$(444)	\$(173)
Street Fund	6,994	1,340
State Highway Fund	(2,087)	(1,340)
Permissive Motor Vehicle License Tax Fund	(4,851)	173
Law Enforcement Fund	(144)	
Police Equipment Fund	208	
Mayor's Court Computer Fund	(140)	

These adjustments have been posted to the Village's accounting records and financial statements. Failure to properly post revenues can result in inaccurate records and cause the Village to misappropriate funds. To improve accountability and record keeping, we recommend that the Village properly post all county and state revenue receipts to the correct funds and line items. The Village should review receipts posted to the ledgers for accuracy. Comparisons between years may aid in the determination if the Village has properly posted a receipt.

FINDING NUMBER 2008-003

Noncompliance

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

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

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

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

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

More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did utilize Blanket Certificates. Of the transactions tested in 2007, four (twenty percent) were not certified by the Fiscal Officer at the time the commitment was incurred. Of the transactions tested in 2008, four (twenty percent) were not certified by the Fiscal Officer at the time the commitment was incurred. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

**FINDING NUMBER 2008-003
(Continued)**

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

FINDING NUMBER 2008-004

Significant Deficiency

When designing the public office's system of internal control and the specific control activities, management should:

- Ensure that all transactions are properly authorized in accordance with management's policies;
- Verify the existence and valuation of assets and periodically reconcile them to the accounting records; and,
- Monitor activities performed by service organizations.

The Village has not implemented any procedures to address the user control considerations as documented in the SAS 70 report for Ohio Billing.

We recommend that the Village put into place internal control measures to monitor the ambulance service billing process. The Village receives monthly emergency medical services (EMS) billing reports from Ohio Billing; however, there is no review of these monthly reports or reconciliation of these reports to Village records. To improve internal controls, we recommend that the Village document their review of the monthly billing reports received from Ohio Billing. The monthly billing reports should be marked with the reviewer's initials (or signature) and the date. The monthly billing reports should also be compared to the EMS run sheets or run logs, as well as the revenue ledger compared to payment detail reports to ensure that all the information is accurate and complete.

FINDING NUMBER 2008-005

Significant Deficiency

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

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

On November 5, 2007 Council passed Resolution 2007-22 approving line item transfers made in 2007. Resolution 2007-22 did not provide detail information supporting which line item transfers were being approved. Also, the UAN system indicates that further appropriation amendments were posted after November 5, 2007. These additional amendments were not approved by Council.

**FINDING NUMBER 2008-005
(Continued)**

On July 7, 2008 Council approved amended appropriations via Resolution 2008-11. Per the minutes, Council also approved intrafund transfers and amended appropriations on October 6, 2008 and December 8, 2008. However, except for Resolution 2008-11, no detail was provided on which intrafund transfers/amendments were being approved. The UAN system indicates that additional amendments were posted from November 10, 2008 through December 31, 2008. These additional amendments were not approved by Council.

Also, the estimated receipts posted to the UAN system do not match the final certificate of estimated resources for 2007 and 2008.

The Village failed to properly post estimated resources and appropriations to the system as follows:

Appropriations	Per Appropriation Resolutions	Amount Posted to System	Variance
General Fund – 2007	\$146,013	\$143,413	\$2,600
Street Fund – 2007	84,937	54,795,959	(54,711,022)
State Highway Fund – 2007	13,789	19,959	(6,170)
PMVLT Fund – 2007	1,826	12,209	(10,383)
Life Squad Fund – 2007	16,887	165,000	(148,113)
Computer Fund-Mayor's Court – 2007	4,255	6,000	(1,745)
Life Squad Bond & Coupon Fund – 2007	10,270	23,017	(12,747)
Water Fund – 2007	277,355	273,354	4,001
General Fund – 2008	162,633	155,839	6,794
Street Fund – 2008	149,482	144,184	5,298
Federal Grant Fund – 2008	136,144	143,000	(6,856)
Police Equipment Fund – 2008	0	284	(284)
PMVLT Fund – 2008	28,119	17,352	10,767
Life Squad Fund – 2008	187,947	187,096	851
Computer Fund-Mayor's Court – 2008	6,754	6,605	149
Water Fund – 2008	260,384	247,157	13,227

Estimated Resources	Per Certificate of Estimated Resources	Amount Posted to System	Variance
General Fund – 2007	\$117,320	\$129,522	\$(12,202)
Street Fund – 2007	17,500	46,460	(28,960)
State Highway Fund – 2007	2,450	4,557	(2,107)
PMVLT Fund – 2007	1,829	2,655	(826)
Life Squad Fund – 2007	51,622	52,010	(388)
Computer Fund – Mayor's Court – 2007	1,800	690	1,110
Life Squad Bond & Coupon Fund – 2007	5,519	15,169	(9,650)
Grant Construction Fund – 2007	82,000	0	82,000
Water Fund – 2007	148,718	125,278	23,440
General Fund – 2008	115,342	141,847	(26,505)
Street Fund – 2008	36,460	31,875	4,585
State Highway Fund – 2008	4,557	4,341	216
Federal Grant Fund – 2008	36,000	135,850	(99,850)
Law Enforcement Fund – 2008	0	460	(460)
Police Equipment Fund – 2008	0	460	(460)
PMVLT Fund – 2008	655	2,217	(1,562)
Life Squad Fund – 2008	46,010	39,342	6,668
Computer Fund-Mayor's Court – 2008	0	690	(690)
Water Fund – 2008	122,633	134,465	(11,832)

**FINDING NUMBER 2008-005
 (Continued)**

Failure to properly post estimated receipts and appropriations could result in excessive spending and possible negative fund balances. We recommend the Village properly post estimated receipts and appropriations to their budgetary ledgers. Once posted, the Fiscal Officer and Council should compare the estimated resources and appropriations on the accounting system to the official documents. Council should approve all amendments to appropriations in the minutes. The Village should maintain detail information supporting all supplemental appropriations.

FINDING NUMBER 2008-006

Noncompliance

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

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

Fund	Appropriations	Available Resources	Variance
Life Squad Bond & Coupon Fund at December 31, 2007	\$10,270	\$7,849	\$2,421
Street Fund at December 31, 2008	149,592	148,762	830
Life Squad Fund at December 31, 2008	191,586	181,240	10,346
Grant Construction Fund at December 31, 2008	36,000	15,241	20,759

Failure to properly obtain amended certificates when the amount of deficiency will reduce available resources below the current level of appropriation can result in overspending and negative fund balances. We recommend that the Village monitor estimated and actual receipts and obtain amendments when required.

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

Fund	Appropriations	Estimated Resources	Variance
State Highway Fund at December 31, 2007	\$13,789	\$11,565	\$2,224
Law Enforcement Fund at December 31, 2008	176	0	176
Permissive Motor Vehicle License Tax Fund at December 31, 2008	28,119	21,266	6,853
Water Fund at December 31, 2008	260,384	247,157	13,227

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

**FINDING NUMBER 2008-006
 (Continued)**

Ohio Revised Code, Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated as provided in Chapter 5705. Expenditures exceeded appropriations as follows:

Fund	Expenditures	Appropriations	Variance
Life Squad Fund at 12/31/07	\$25,603	\$16,887	\$8,716
Life Squad Bond & Coupon Fund at 12/31/07	10,515	10,270	245
Federal Grant Fund at 12/31/08	143,000	136,144	6,856

Failure to limit expenditures to appropriations may result in overspending and negative fund balances. We recommend that the Village limit expenditures to the appropriated amount. The Fiscal Officer should deny any payments until Council has approved the necessary changes to the appropriation measure.

FINDING NUMBER 2008-007

Material Weakness/Noncompliance

Ohio Revised Code, Sections 5705.14 & .16, state that transfers from the general fund require a resolution passed by a simple majority of the board members. The Village made transfers from the General Fund to the Life Squad Fund (\$4,160) and Water Fund (\$6,151) during 2007. Council did not approve these transfers. Since appropriations were approved at the fund level for 2007, these transfers were not approved within the appropriations. The accompanying financial statements have been adjusted to return the transferred monies from the Life Squad Fund and Water Fund to the General Fund. The Village posted these adjustments to its accounting system. Failure to approve transfers could result in misappropriation of funds. We recommend that Council approve all transfers.

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

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	ORC § 733.28, failure to maintain proper accounting records	No	Not corrected – reissued within Findings 2008-001 and 2008-002
2006-002	Failure to accurately reconcile bank account	No	Not corrected – reissued as Finding 2008-001
2006-003	Ord. 93-3 and 96-15, failure to monitor delinquent water accounts	Yes	
2006-004	Lack of internal controls over the water department	No	Partially corrected – reissued as management letter recommendations
2006-005	Lack of internal controls over posting of receipts	No	Not corrected – reissued as Finding 2008-002
2006-006	Lack of internal controls over Mayor’s Court	No	Partially corrected – reissued as management letter recommendations
2006-007	ORC § 5705.41(D), failure to properly certify funds	No	Not corrected – reissued as Finding 2008-003
2006-008	ORC § 149.351, destruction of records	No	Partially corrected – reissued as management letter citation
2006-009	ORC § 5705.36(A)(4), appropriations exceeded available fund balance; ORC § 5705.39, appropriations exceeded estimated resources; ORC § 5705.41(B), expenditures exceeded appropriations		Not corrected – reissued as Finding 2008-006



Mary Taylor, CPA
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
FEBRUARY 2, 2010