



Dave Yost • Auditor of State

VILLAGE OF SEVEN MILE
BUTLER COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2012	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2011	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	23

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Emphasis of Matter

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

February 12, 2014

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

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

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$30,827				\$30,827
Intergovernmental	25,270	51,391		171,237	247,898
Charges for Services	10,910	20,032			30,942
Fines, Licenses and Permits	26,021	2,681			28,702
Earnings on Investments	182	126			308
Miscellaneous	464	1,447			1,911
<i>Total Cash Receipts</i>	<u>93,674</u>	<u>75,677</u>	<u>0</u>	<u>171,237</u>	<u>340,588</u>
Cash Disbursements					
Current:					
Security of Persons and Property	57,799	26,156			83,955
Leisure Time Activities	2,574				2,574
Basic Utility Services	619				619
Transportation		17,062			17,062
General Government	52,355				52,355
Capital Outlay	1,821			171,237	173,058
<i>Total Cash Disbursements</i>	<u>115,168</u>	<u>43,218</u>	<u>0</u>	<u>171,237</u>	<u>329,623</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(21,494)</u>	<u>32,459</u>	<u>0</u>	<u>0</u>	<u>10,965</u>
Other Financing Receipts					
Other Financing Sources	448	189			637
<i>Total Other Financing Receipts</i>	<u>448</u>	<u>189</u>	<u>0</u>	<u>0</u>	<u>637</u>
<i>Net Change in Fund Cash Balances</i>	<u>(21,046)</u>	<u>32,648</u>	<u>0</u>	<u>0</u>	<u>11,602</u>
<i>Fund Cash Balances, January 1</i>	<u>120,475</u>	<u>397,213</u>	<u>7,633</u>	<u>0</u>	<u>525,321</u>
Fund Cash Balances, December 31					
Nonspendable	0	0	0	0	0
Restricted	0	429,861	7,633	0	437,494
Committed	0	0	0	0	0
Assigned	0	0	0	0	0
Unassigned (Deficit)	99,429	0	0	0	99,429
<i>Fund Cash Balances, December 31</i>	<u>\$99,429</u>	<u>\$429,861</u>	<u>\$7,633</u>	<u>\$0</u>	<u>\$536,923</u>

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

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

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

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$137,423		\$137,423
<i>Total Operating Cash Receipts</i>	<u>137,423</u>	<u>0</u>	<u>137,423</u>
Operating Cash Disbursements			
Personal Services	13,200		13,200
Employee Fringe Benefits	1,977		1,977
Contractual Services	73,162		73,162
Supplies and Materials	12,006		12,006
<i>Total Operating Cash Disbursements</i>	<u>100,345</u>	<u>0</u>	<u>100,345</u>
<i>Operating Income</i>	<u>37,078</u>	<u>0</u>	<u>37,078</u>
Non-Operating Receipts (Disbursements)			
Principal Retirement	(26,143)		(26,143)
Interest and Other Fiscal Charges	(7,534)		(7,534)
Other Non-Operating Receipts		29,596	29,596
Other Non-Operating Disbursements		(29,596)	(29,596)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(33,677)</u>	<u>0</u>	<u>(33,677)</u>
<i>Net Change in Fund Cash Balances</i>	3,401	0	3,401
<i>Fund Cash Balances, January 1</i>	<u>62,557</u>	<u>0</u>	<u>62,557</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$65,958</u></u>	<u><u>\$0</u></u>	<u><u>\$65,958</u></u>

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

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

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

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$34,094				\$34,094
Intergovernmental	24,780	39,277		166,318	230,375
Charges for Services	10,910	28,424			39,334
Fines, Licenses and Permits	24,309	2,691			27,000
Earnings on Investments	307	234			541
Miscellaneous	954	1,628			2,582
<i>Total Cash Receipts</i>	<u>95,354</u>	<u>72,254</u>	<u>0</u>	<u>166,318</u>	<u>333,926</u>
Cash Disbursements					
Current:					
Security of Persons and Property	51,517	28,172			79,689
Leisure Time Activities	880				880
Basic Utility Services	598				598
Transportation		21,520			21,520
General Government	97,877				97,877
Capital Outlay	5,220			166,318	171,538
<i>Total Cash Disbursements</i>	<u>156,092</u>	<u>49,692</u>	<u>0</u>	<u>166,318</u>	<u>372,102</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(60,738)</u>	<u>22,562</u>	<u>0</u>	<u>0</u>	<u>(38,176)</u>
Other Financing Receipts					
Other Financing Sources	4,667	2,348			7,015
<i>Total Other Financing Receipts</i>	<u>4,667</u>	<u>2,348</u>	<u>0</u>	<u>0</u>	<u>7,015</u>
<i>Net Change in Fund Cash Balances</i>	<u>(56,071)</u>	<u>24,910</u>	<u>0</u>	<u>0</u>	<u>(31,161)</u>
<i>Fund Cash Balances, January 1</i>	<u>176,546</u>	<u>372,303</u>	<u>7,633</u>	<u>0</u>	<u>556,482</u>
Fund Cash Balances, December 31					
Nonspendable	0	0	0	0	0
Restricted	0	397,213	7,633	0	404,846
Committed	0	0	0	0	0
Assigned	0	0	0	0	0
Unassigned (Deficit)	120,475	0	0	0	120,475
<i>Fund Cash Balances, December 31</i>	<u>\$120,475</u>	<u>\$397,213</u>	<u>\$7,633</u>	<u>\$0</u>	<u>\$525,321</u>

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

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

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

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$129,980		\$129,980
<i>Total Operating Cash Receipts</i>	<u>129,980</u>	<u>0</u>	<u>129,980</u>
Operating Cash Disbursements			
Personal Services	13,167		13,167
Employee Fringe Benefits	1,972		1,972
Contractual Services	75,916		75,916
Supplies and Materials	11,061		11,061
<i>Total Operating Cash Disbursements</i>	<u>102,116</u>	<u>0</u>	<u>102,116</u>
<i>Operating Income</i>	<u>27,864</u>	<u>0</u>	<u>27,864</u>
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	261		261
Principal Retirement	(25,366)		(25,366)
Interest and Other Fiscal Charges	(8,309)		(8,309)
Other Non-Operating Receipts		31,210	31,210
Other Non-Operating Disbursements		(31,210)	(31,210)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(33,414)</u>	<u>0</u>	<u>(33,414)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(5,550)</u>	<u>0</u>	<u>(5,550)</u>
<i>Fund Cash Balances, January 1</i>	<u>68,107</u>	<u>0</u>	<u>68,107</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$62,557</u></u>	<u><u>\$0</u></u>	<u><u>\$62,557</u></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, 2012 AND 2011**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of 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 provide 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. Cash Deposits

The Village maintains all available funds in an interest bearing checking account.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(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. Capital Project Fund

This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

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

4. 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.

5. Fiduciary Fund (Agency Fund)

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

E. Budgetary Process

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

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.

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

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 2012 and 2011 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. The Village does not currently have any nonspendable fund balances.

2. Restricted

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

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements. The Village does not currently have any committed fund balances.

VILLAGE OF SEVEN MILE
BUTLER COUNTY

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

1. Summary of Significant Accounting Policies (Continued)

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

2. Equity in Pooled Cash Deposits

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

	2012	2011
Demand deposits	<u>\$602,132</u>	<u>\$587,793</u>

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

The carrying amounts listed in Note 2 do not agree to the Village's financial statements because the Village has not properly reconciled their cash to their fund statements.

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

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

3. Budgetary Activity

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

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$86,810	\$94,122	\$7,312
Special Revenue	63,254	75,866	12,612
Capital Projects	0	171,237	171,237
Enterprise	113,706	137,423	23,717
Total	<u>\$263,770</u>	<u>\$478,648</u>	<u>\$214,878</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$193,757	\$115,168	\$78,589
Special Revenue	355,291	43,218	312,073
Debt Service	7,633	0	7,633
Capital Projects	0	171,237	(171,237)
Enterprise	154,660	134,022	20,638
Total	<u>\$711,341</u>	<u>\$463,645</u>	<u>\$247,696</u>

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$111,136	\$100,021	(\$11,115)
Special Revenue	65,152	74,602	9,450
Capital Projects	198,833	166,318	(32,515)
Enterprise	113,706	130,241	16,535
Total	<u>\$488,827</u>	<u>\$471,182</u>	<u>(\$17,645)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$288,981	\$156,092	\$132,889
Special Revenue	427,088	49,692	377,396
Debt Service	7,633	0	7,633
Capital Projects	198,833	166,318	32,515
Enterprise	136,265	135,791	474
Total	<u>\$1,058,800</u>	<u>\$507,893</u>	<u>\$550,907</u>

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

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

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.

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, 2012 was as follows:

	Principal	Interest Rate
1995 Ohio Water Development Authority Loan #2870	\$130,127	2%
1997 Ohio Water Development Authority Loan #2871	\$16,918	2%
1995 Ohio Water Development Authority Loan #3056	60,646	6.24%
Total	\$207,691	

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

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

	OWDA Loan #2870	OWDA Loan #2871	OWDA Loan #3056
Year ending December 31:			
2013	\$20,105	\$2,615	\$10,957
2014	20,105	2,615	10,957
2015	20,105	2,615	10,957
2016	20,105	2,615	10,957
2017	20,105	2,615	10,957
2018-2021	40,211	5,230	21,914
Total	\$140,736	\$18,305	\$76,699

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

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

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10% of their gross salaries, and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

7. Risk Management

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

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available):

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

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

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

7. Risk Management (Continued)

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately \$15,000.

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

<u>Contributions to PEP</u>	
<u>2012</u>	<u>2011</u>
\$17,314	17,755

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



Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Seven Mile, Butler County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated February 12, 2014 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit and that the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider finding 2012-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as 2012-001 through 2012-004.

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

February 12, 2014

VILLAGE OF SEVEN MILE
BUTLER COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011

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

FINDING NUMBER 2012-001

Material Weakness/Noncompliance

Ohio Revised Code Section 733.28 states "The village clerk shall keep the books of the village, exhibit accurate statements of all moneys received and expended, of all the property owned by the village and the income derived there from, and of all taxes and assessments."

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 lacked management oversight to ensure the accurate posting of financial activity, resulting in the following conditions:

- In 2011, the Village inaccurately posted \$5,415 in homestead and rollback receipts as *Property and Other Local Taxes* receipts instead of *Intergovernmental* receipts in the General Fund. This was not adjusted on the financial statements.
- In 2011, the Village inaccurately posted \$2,989 in *Intergovernmental* receipts to incorrect Special Revenue Funds.
- In 2011, the Village inaccurately posted \$330 in Mayor's Court receipts to Special Revenue Funds.
- In 2011, the Village failed to post on-behalf CDBG grant payments and related receipts of \$27,194 to a Capital Projects fund.
- In 2012, the Village inaccurately posted a \$3,329 BWC refund as *Property and Other Local Taxes* receipts instead of *Miscellaneous* receipts in the General Fund. This was not adjusted on the financial statements.
- In 2012, the Village inaccurately posted \$588 Mayor's Court fines as *Property and Other Local Taxes* receipts instead of *Fines, Licenses and Permits* receipts in the General Fund. This was not adjusted on the financial statements.
- In 2012, the Village inaccurately posted \$8,007 cable franchise fees as *Fines, Licenses and Permits* receipts instead of *Property and Other Local Taxes* receipts in the General Fund. This was not adjusted on the financial statements.
- In 2012, the Village inaccurately posted \$479 local government revenue to the Capital Projects Fund instead of the General Fund.
- In 2012, the Village posted an \$847 intergovernmental receipt to an incorrect Special Revenue Fund.
- In 2012, the Village inaccurately posted a \$10,000 fire grant as an *Other Financing Sources* receipt instead of an *Intergovernmental* receipt in the Special Revenue Fund.
- In 2012, the Village failed to post on-behalf CDBG grant payments and related receipts of \$171,237 to a Capital Projects Fund.

**FINDING NUMBER 2012-001
(Continued)**

- In 2012, the Village inaccurately posted \$32,050 in negative utilities receipts as expenditures, rather than reducing revenue in the Enterprise Fund totaling \$32,050.
- In 2012 the Village received a check in the amount of \$557 for cable franchise fees, which was designated for a different public entity; however, the Village deposited and recorded the receipt to the Village's accounting records.
- In 2012, the Village improperly posted the interest portion of a debt payment in the amount of \$3,778 to the Street Construction, Maintenance & Repair Fund rather than the Water Fund.

The Village posted adjustments for the above items to the accompanying financial statements and to the accounting records, where appropriate, except as otherwise noted. The Village also lacked management oversight in the processing of payments through the accounting system, resulting in the following conditions:

- Out of the 21 payroll disbursements tested from fiscal years 2011 and 2012, seven had check numbers that did not match the check numbers listed in the accounting system.
- Out of the 45 non-payroll disbursements tested from fiscal years 2011 and 2012, nine had check numbers that did not match the check numbers listed in the accounting system.
- Out of the 21 payroll disbursements tested from fiscal years 2011 and 2012, three 2011 checks had check dates that did not match the dates in the accounting system.
- Out of the 45 non-payroll disbursements tested from fiscal years 2011 and 2012, seven 2011 checks had check dates that did not match the dates in the accounting system.
- Out of the 50 outstanding checks listed on the December 2011 bank reconciliation, seven had check numbers that did not match the check numbers listed in UAN.

Failure to accurately post receipts and expenditures, and failure to submit accurate and timely financial reports can result in inaccurate records and potentially materially misstate the financial statements, due to improper cutoff of financial data. These issues increases the risk that errors, theft, or fraud could occur and not be detected in a timely manner.

We recommend that receipts and expenditures be accurately posted. Receipts and expenditures posted to the ledgers should be reviewed by Council for accuracy. Comparisons between years and with budgeted amounts may aid in the determination if a transaction has been properly posted.

We recommend the Village properly post all expenditures with the correct check numbers and correct dates. The Village should review expenditures posted to the ledgers for accuracy.

Officials' Response:

No officials responded to this finding.

FINDING NUMBER 2012-002

Noncompliance

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

Fund	Appropriations	Estimated Resources	Variance
General – 2011	\$288,981	\$285,441	(\$3,540)
Street Highway – 2012	\$17,778	\$13,651	(\$4,127)
Mayor’s Court Computer – 2012	\$10,226	\$9,008	(\$1,218)
Litter Control – 2012	\$198	\$0	(\$198)

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.

Officials’ Response:

No officials responded to this finding.

FINDING NUMBER 2012-003

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.

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

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.

Twenty five of the 45 (56%) non-payroll disbursements tested at the Village in fiscal years 2011 and 2012 were not properly encumbered.

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. Failure to certify disbursements could result in the Village exceeding budgetary spending limits.

We recommend the Village officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 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. In addition we recommend that Council approval is obtained for all Then & Now's over \$3000

Officials' Response:

No officials responded to this finding.

FINDING NUMBER 2012-004

Noncompliance

Ohio Rev. Code, Section 5705.42, states in part that Federal and State grants or loans are “deemed appropriated for such purpose by the taxing authority” as provided by law and shall be recorded as such by the fiscal officer of the subdivision, and is deemed in process of collection.

Therefore, Federal and State grants and loans received under Ohio Rev. Code Section 5705.42 do not require formal appropriation by the legislative body. However, Ohio Rev. Code Section 5705.42 requires that the amount deemed appropriated “shall be recorded as such by the fiscal officer of the subdivision.”

The Village did not record \$171,237 related to a CDBG Construction Grant and deemed appropriated. Amounts recorded by the Village follow:

Fund	Expenditures	Appropriations	Variance
Fund 4201 Grant Construction at December 31, 2012	\$171,237	\$0	\$171,237

**FINDING NUMBER 2012-004
(Continued)**

We recommend that the Village periodically review the amounts recorded in the budgetary system for accuracy and agreement with official budgetary documents and amounts deemed appropriated, and obtain supplemental appropriations throughout the year as needed.

Officials' Response:

No officials responded to this finding.

This page intentionally left blank.

**VILLAGE OF SEVEN MILE
BUTLER COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Posting of inaccurate budgetary information to the accounting records	No	Reissued as Management Letter Comment
2010-002	ORC 5705.41(D)(1) – Failure to certify the availability of funds	No	Reissued as Finding 2012-003
2010-003	Inaccurate cash reconciliations	No	Reissued as Management Letter Comment
2010-004	<p>ORC 5705.36(A)(4) – Obtaining a reduced amended certificate if the amount of deficiency will reduce available resources below appropriations</p> <p>ORC 5705.39 – Total appropriations shall not exceed estimated resources</p>	<p>No</p> <p>No</p>	<p>Finding No Longer Valid</p> <p>Reissued as Finding 2012-002</p>

This page intentionally left blank.



Dave Yost • Auditor of State

VILLAGE OF SEVEN MILE

BUTLER COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 13, 2014