



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**





**Auditor of State  
Betty Montgomery**

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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State



VILLAGE OF SEBRING  
MAHONING COUNTY

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Village of Sebring  
Mahoning County  
135 Ohio Avenue  
Sebring, Ohio 44672

To Village Council:

We have audited the accompanying financial statements of the Village of Sebring, Mahoning County, (the Village) as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2002, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

**Jim Petro**  
Auditor of State

December 18, 2002



**VILLAGE OF SEBRING  
MAHONING COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$579,423	\$555,547	\$95,638	\$11,679	\$1,242,287
Intergovernmental Receipts	255,916	179,180		1,248	436,344
Charges for Services	12,355	35,830			48,185
Fines, Licenses, and Permits	42,531	1,315			43,846
Earnings on Investments	54,495				54,495
Miscellaneous	26,692	24,805	103,632		155,129
<b>Total Cash Receipts</b>	<u>971,412</u>	<u>796,677</u>	<u>199,270</u>	<u>12,927</u>	<u>1,980,286</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	586,376	5,384		42,320	634,080
Public Health Services	11,949				11,949
Leisure Time Activities		193,733	125,000		318,733
Basic Utility Services	16,800				16,800
Transportation		269,640	109,431		379,071
General Government	428,133	82,064		215	510,412
Debt Service:					
Principal Payments		86,558			86,558
Interest Payments		10,803			10,803
Capital Outlay	138,091	397,599	898,519		1,434,209
<b>Total Cash Disbursements</b>	<u>1,181,349</u>	<u>1,045,781</u>	<u>1,132,950</u>	<u>42,535</u>	<u>3,402,615</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(209,937)</u>	<u>(249,104)</u>	<u>(933,680)</u>	<u>(29,608)</u>	<u>(1,422,329)</u>
<b>Other Financing Receipts/(Disbursements):</b>					
Sale of Bonds or Notes		148,728	812,000		960,728
Transfers-In		141,000	272,572	16,701	430,273
Transfers-Out		(430,273)			(430,273)
Other Uses	(22,259)	(22,193)			(44,452)
Other Sources	30,859	75			30,934
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>8,600</u>	<u>(162,663)</u>	<u>1,084,572</u>	<u>16,701</u>	<u>947,210</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(201,337)</u>	<u>(411,767)</u>	<u>150,892</u>	<u>(12,907)</u>	<u>(475,119)</u>
<b>Fund Cash Balances, January 1</b>	<u>462,094</u>	<u>524,269</u>	<u>37,487</u>	<u>36,778</u>	<u>1,060,628</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$260,757</b></u>	<u><b>\$112,502</b></u>	<u><b>\$188,379</b></u>	<u><b>\$23,871</b></u>	<u><b>\$585,509</b></u>
<b>Reserves for Encumbrances, December 31</b>	<u><b>\$27,251</b></u>	<u><b>\$71,855</b></u>	<u><b>\$109,105</b></u>	<u><b>\$0</b></u>	<u><b>\$208,211</b></u>

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

**VILLAGE OF SEBRING  
MAHONING COUNTY**

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

	<b>Proprietary Fund Types</b>			<b>Totals (Memorandum Only)</b>
	<b>Enterprise</b>	<b>Internal Service</b>	<b>Agency</b>	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$1,454,109	\$3,487		\$1,457,596
Miscellaneous	17,295			17,295
<b>Total Operating Cash Receipts</b>	<b>1,471,404</b>	<b>3,487</b>	<b>0</b>	<b>1,474,891</b>
<b>Operating Cash Disbursements:</b>				
Personal Services	542,822			542,822
Fringe Benefits	374			374
Contractual Services	345,734	202,192		547,926
Supplies and Materials	120,989			120,989
Capital Outlay	238,129			238,129
<b>Total Operating Cash Disbursements</b>	<b>1,248,048</b>	<b>202,192</b>	<b>0</b>	<b>1,450,240</b>
Operating Income/(Loss)	223,356	(198,705)	0	24,651
<b>Non-Operating Cash Receipts:</b>				
Proceeds from Notes and Bonds	150,000			150,000
Other Non-Operating Receipts		1,033		1,033
<b>Total Non-Operating Cash Receipts</b>	<b>150,000</b>	<b>1,033</b>	<b>0</b>	<b>151,033</b>
<b>Non-Operating Cash Disbursements:</b>				
Debt Service	342,865			342,865
Other Non-Operating Cash Disbursements	653		5,780	6,433
<b>Total Non-Operating Cash Disbursements</b>	<b>343,518</b>	<b>0</b>	<b>5,780</b>	<b>349,298</b>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	29,838	(197,672)	(5,780)	(173,614)
Transfers-In	517,688			517,688
Transfers-Out	(517,688)			(517,688)
Net Receipts Over/(Under) Disbursements	29,838	(197,672)	(5,780)	(173,614)
Fund Cash Balances, January 1	452,792	13,883	32,248	498,923
<b>Fund Cash Balances, December 31</b>	<b>\$482,630</b>	<b>(\$183,789)</b>	<b>\$26,468</b>	<b>\$325,309</b>
Reserve for Encumbrances, December 31	\$53,314	\$0	\$0	\$53,314

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

**VILLAGE OF SEBRING  
MAHONING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$574,905	\$541,809	\$95,821	\$10,908	\$1,223,443
Intergovernmental Receipts	487,876	191,981		1,247	681,104
Charges for Services	35,307	13,947			49,254
Fines, Licenses, and Permits	37,309	1,598			38,907
Miscellaneous	79,162	30,365	4,251	22,824	136,602
<b>Total Cash Receipts</b>	<b>1,214,559</b>	<b>779,700</b>	<b>100,072</b>	<b>34,979</b>	<b>2,129,310</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	517,885	26,011		39,968	583,864
Public Health Services	35,166				35,166
Leisure Time Activities		92,212			92,212
Transportation		211,703			211,703
General Government	372,973	167,097			540,070
Debt Service:					
Principal Payments		82,146			82,146
Interest Payments		15,215			15,215
Capital Outlay	121,900	78,476	115,741		316,117
<b>Total Cash Disbursements</b>	<b>1,047,924</b>	<b>672,860</b>	<b>115,741</b>	<b>39,968</b>	<b>1,876,493</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>166,635</b>	<b>106,840</b>	<b>(15,669)</b>	<b>(4,989)</b>	<b>252,817</b>
<b>Other Financing Receipts/(Disbursements):</b>					
Transfers-In		40,114		27,000	67,114
Transfers-Out	(150,000)	(67,114)			(217,114)
Other Sources	142,827	0			142,827
Other Uses	(3,937)	0			(3,937)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(11,110)</b>	<b>(27,000)</b>	<b>0</b>	<b>27,000</b>	<b>(11,110)</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	155,525	79,840	(15,669)	22,011	241,707
Fund Cash Balances January 1	306,569	444,429	53,156	14,767	818,921
<b>Fund Cash Balances, December 31</b>	<b>\$462,094</b>	<b>\$524,269</b>	<b>\$37,487</b>	<b>\$36,778</b>	<b>\$1,060,628</b>
Reserves for Encumbrances, December 31	\$7,729	\$24,700	\$0	\$0	\$32,429

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

**VILLAGE OF SEBRING  
MAHONING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<b>Proprietary Fund Types</b>			<b>Totals (Memorandum Only)</b>
	<b>Enterprise</b>	<b>Internal Service</b>	<b>Agency</b>	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$1,472,320	\$79,000	\$0	\$1,551,320
Miscellaneous	4,171		9,953	14,124
<b>Total Operating Cash Receipts</b>	<b>1,476,491</b>	<b>79,000</b>	<b>9,953</b>	<b>1,565,444</b>
<b>Operating Cash Disbursements:</b>				
Personal Services	485,168			485,168
Travel Transportation	413			413
Contractual Services	242,694	228,757		471,451
Supplies and Materials	107,265			107,265
Capital Outlay	79,331			79,331
<b>Total Operating Cash Disbursements</b>	<b>914,871</b>	<b>228,757</b>	<b>0</b>	<b>1,143,628</b>
Operating Income/(Loss)	561,620	(149,757)	9,953	421,816
<b>Non-Operating Cash Receipts:</b>				
Other Non-Operating Receipts	12,365	1,876		14,241
<b>Total Non-Operating Cash Receipts</b>	<b>12,365</b>	<b>1,876</b>	<b>0</b>	<b>14,241</b>
<b>Non-Operating Cash Disbursements:</b>				
Debt Service	487,580			487,580
Other Non-Operating Cash Disbursements	7,419		4,000	11,419
<b>Total Non-Operating Cash Disbursements</b>	<b>494,999</b>	<b>0</b>	<b>4,000</b>	<b>498,999</b>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	78,986	(147,881)	5,953	(62,942)
Transfers-In	552,959	150,000		702,959
Transfers-Out	(552,959)	0	0	(552,959)
<b>Net Receipts Over/(Under) Disbursements</b>	<b>78,986</b>	<b>2,119</b>	<b>5,953</b>	<b>87,058</b>
Fund Cash Balances, January 1	373,806	11,764	26,295	411,865
<b>Fund Cash Balances, December 31</b>	<b>\$452,792</b>	<b>\$13,883</b>	<b>\$32,248</b>	<b>\$498,923</b>
Reserve for Encumbrances, December 31	\$61,811	\$13,883	\$0	\$75,694

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

**VILLAGE OF SEBRING  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Sebring, Mahoning County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six member Council. The Village provides water and sewer utilities, park operations, fire services and police services. The Village appropriates general fund money to support a volunteer fire department.

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Fund**

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

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

*Income Tax Fund* – The Village levies an income tax of 1 ½ percent on all income earned within the Village as well as on incomes of residents earned outside the Village. Income tax revenues are for general fund operations, police pension liabilities, street repair, and civic center operations.

**VILLAGE OF SEBRING  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Capital Project Funds**

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

*Capital Improvement Fund* - This fund receives proceeds from the Village's income tax receipts for equipment purchase and repair, improvements to the Village's buildings and other structures, miscellaneous projects, and street and storm projects.

*Parks and Recreation Capital Improvement Fund* - This fund received proceeds from loans for acquisition, major renovations and repairs and improvements to the Village's park buildings, pool and pavilion.

**4. Enterprise Funds**

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

*Water Works System Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

*Sewer Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

**5. Internal Service Funds**

The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the Village on a cost-reimbursement basis.

*Hospitalization Fund* - This fund receives monies from employees in the form of premiums and from the General fund to cover the cost of the employee's and the Village's share of Hospitalization premiums and claims.

**6. Fiduciary Funds (Trust and Agency Funds)**

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

*Fire Security and Repair Fund* - This fund receives monies from insurance companies when fires destroy buildings or other properties to help the fire department recover some of the costs of clean-up.

*Drug Law Enforcement Fund* - This fund receives monies from court cases that have defendants of drug related cases within the Village.

**VILLAGE OF SEBRING  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control and appropriations may not exceed estimated resources. The 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 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. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF SEBRING  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2001	2000
Demand deposits	27,645	(67)
Repurchase agreement	883,173	1,559,618
Total deposits and investments	\$910,818	\$1,559,551

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

**Investments:** The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2001 and December 31, 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,021,954	\$1,002,271	(\$19,683)
Special Revenue	824,265	1,086,480	262,215
Capital Projects	150,000	1,283,842	1,133,842
Enterprise	1,962,250	2,139,092	176,842
Expendable Trust	42,500	29,628	(12,872)
Agency	500	0	(500)
Internal Service	165,000	4,520	(160,480)
Total	\$4,166,469	\$5,545,833	\$1,379,364

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$998,029	\$1,230,859	(\$232,830)
Special Revenue	1,581,888	1,570,102	11,786
Capital Projects	810,000	1,242,055	(432,055)
Enterprise	2,882,515	2,162,568	719,947
Expendable Trust	65,650	42,535	23,115
Agency	32,414	5,780	26,634
Internal Service	238,883	202,192	36,691
Total	\$6,609,379	\$6,456,091	\$153,288



**VILLAGE OF SEBRING  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$926,432	\$1,357,386	\$430,954
Special Revenue	754,061	819,814	65,753
Capital Projects	100,000	100,072	72
Enterprise	2,017,250	2,041,815	24,565
Expendable Trust	40,985	61,979	20,994
Agency	350	9,953	9,603
Internal Service	165,000	230,876	65,876
Total	<u>\$4,004,078</u>	<u>\$4,621,895</u>	<u>\$617,817</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$956,485	\$1,209,590	(\$253,105)
Special Revenue	694,008	764,674	(70,666)
Capital Projects	110,000	115,741	(5,741)
Enterprise	1,486,260	2,024,640	(538,380)
Expendable Trust	42,750	39,968	2,782
Agency	0	4,000	(4,000)
Internal Service	178,883	242,640	(63,757)
Total	<u>\$3,468,386</u>	<u>\$4,401,253</u>	<u>(\$932,867)</u>

Contrary to Ohio law (Ohio Revised Code Section 5705.41B), budgetary expenditures exceeded appropriation authority in the General, Waterworks System, Sewer, Fire Security and Repair and the Hospitalization funds for the year ended December 31, 2000 and General, Economic Development and Capital Improvement funds for the year ended December 31, 2001.

Contrary to Ohio law (Ohio Revised Code Section 5705.39), the Village had total appropriations that exceeded the total estimated revenue available for expenditure in Special Project Grant, Parks and Recreation, Capital Improvement, Sewer, Trust Accounts, Fire Security & Repair, and Hospitalization for 2001 and the Drug Law Enforcement fund for 2000.

Contrary to Ohio law (Ohio Revised Code Section 5705.36), the Village did not obtain an amended certificate of estimated resources for 2001. Also, the Certificate of the Total Amount From all Sources Available for Expenditure and Balances was not completed in 2001 as required by 5705.36.

Contrary to Ohio law (Ohio Revised Code Section 5705.34), the Village did not pass an ordinance or resolution to authorize the necessary tax levies to the county auditor in 2001.

Contrary to Ohio law (Ohio Revised Code Section 5705.41D), the Village did not properly certify expenditures as required by this Ohio Revised Code Section.

**VILLAGE OF SEBRING  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

Also contrary to Ohio law (Ohio Revised Code Section 5705.10), at December 31, 2001, the Hospitalization fund had a deficit cash balance of \$183,789 and the Economic Development fund had a deficit cash balance of \$200,000.

**4. PROPERTY TAX**

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

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

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

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

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1 ½ percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**6. DEBT**

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Waterworks System First Mort. Rev. Bonds	\$2,718,000	5.00%
OWDA Wastewater Treatment Plant	2,280,981	2.00%
Fire Truck Capital Lease	138,630	5.30%
Backhoe Capital Lease	14,579	5.63%
Dump Truck Note	148,728	4.46%
Park & Recreation Note	250,000	4.52%
FA Sebring School Purchase Note	250,000	4.48%
Water Tank Improvement Note	312,000	4.48%
WWTP Phase I Improvement Note	150,000	4.48%
Total	<u>\$6,262,918</u>	

**VILLAGE OF SEBRING  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**6. DEBT (Continued)**

The Waterworks System First Mortgage Revenue Bonds relate to improvements to the Village's waterworks system. The bonds consist of Municipal Waterworks Improvement issues taken out in 1982 in the amount of \$3,575,000 and are payable in annual installments, including interest, from revenues of the Water Fund. To the extent that the Enterprise funds are not able to pay, transfers from the General fund will be used. As required by the mortgage revenue bond covenant, the Village has established and funded a debt service reserve fund, included as a debt service fund on the financial statements. The balance in the debt service reserve fund at December 31, 2001 is \$110,054.

The Ohio Water Development Authority (OWDA) loan relates to a sewer treatment plant improvement project that was mandated by the Ohio Environmental Protection Agency for the Clean Water Act. The OWDA approved up to \$4,347,746 in loans to the Village for this project. The loan is to be repaid in semiannual installments of \$132,415, (annual payments of \$264,830), including interest of 2% over 20 years. The scheduled payment amount below assumes that \$4,347,746 has been borrowed. The scheduled payment has been adjusted to reflect any revisions in amounts actually borrowed. The loan is to be repaid with sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Fire Truck Capital Lease relates to a capital lease taken out to purchase a new Fire Truck on January 22, 1998 for the Village Fire Department. This lease is to be paid in ten semiannual installments of \$48,680, annual payments of \$97,361, including interest of 5.3% over five years. The loan is to be repaid with property tax receipts specifically for the Fire Department.

The Backhoe Capital Lease was entered into on June 22, 1999, to lease a new Backhoe for the Village Street Department. This lease is to be paid in 60 monthly payments of \$1,048, and annual payments of \$12,573, which includes interest of 5.63%. The loan is to be repaid with property tax receipts and local government monies received from the State.

The Dump Truck Note relates to dump trucks purchased by the Village on April 21, 2001, for the Village Street Department. This note is to be paid in two annual payments of \$50,000 plus interest of 4.46%, and a final payment of \$48,728 plus interest. The loan is to be paid with anticipated income tax receipts. In the case of a default or if income tax receipts are not sufficient to cover the payments, an additional income tax will be levied on the Village residents.

The Park & Recreation Note relate to improvements to the Village's parks. The notes were taken out July 5, 2001, and will be paid in five annual installments of \$50,000, plus interest at 4.52%. The loan is to be paid with anticipated income tax receipts. In the case of a default or if income tax receipts are not sufficient to cover the payments, an additional income tax will be levied on the Village residents.

The FA Sebring School Purchase Note relates to improvements to the Village's parks. The note was taken out August 24, 2001, and will be paid in five annual payments of \$50,000 plus interest at 4.48%. The loan is to be repaid with anticipated income tax receipts over the term of the loan. In the case of a default or if income tax receipts are not sufficient to cover the payments, an additional income tax will be levied on the Village residents.

The Water Tank Improvement Note relates to a Water Tank built for the Little Tikes Manufacturing Plant. The note was taken out August 27, 2001, and will be paid in four annual payments of \$20,800 plus interest at 4.48% with a balloon payment of \$228,800, plus interest due in 2006. The loan is to be repaid with anticipated income tax receipts over the term of the loan. In the case of a default or if income tax receipts are not sufficient to cover the payments, an additional income tax will be levied on the Village residents.

**VILLAGE OF SEBRING  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**6. DEBT (Continued)**

The Waste Water Treatment Phase I Improvement Note relates to improvements to the sewer treatment plant. This loan is to be repaid in four annual payments of \$15,000 plus interest of 4.48% with a balloon payment of \$110,000, plus interest due in 2006. The loan is to be paid with anticipated income tax receipts. In the case of a default or if income tax receipts are not sufficient to cover the payments, an additional income tax will be levied on the Village residents.

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

Year ending December 31:	Waterworks System		Fire Truck Lease	Backhoe Lease	Dumptruck Note
	1st Mortgage Revenue Bonds	OWDA Loan			
2002	\$213,900	\$264,830	\$97,361	\$12,573	\$ 56,633
2003	210,000	264,830	48,680	4,191	54,403
2004	214,100	264,830	0	0	50,901
2005	209,800	264,830	0	0	0
2006	214,500	264,830	0	0	0
2007 – 2011	1,057,900	1,191,735	0	0	0
2012 - 2016	1,061,650	0	0	0	0
2017 - 2021	1,058,300	0	0	0	0
2022	210,000	0	0	0	0
Total	<u>\$4,450,150</u>	<u>\$2,515,885</u>	<u>\$146,041</u>	<u>\$16,764</u>	<u>\$161,937</u>

Year ending December 31:	Park & Recreation Note	FA Sebring School Note	Water Tank Note	WWTP Phase I Note	Totals
	2002	\$61,300	\$61,200	\$34,778	\$16,720
2003	59,040	58,960	33,846	16,272	750,222
2004	56,780	56,720	32,914	15,824	692,069
2005	54,520	54,480	31,982	15,376	630,988
2006	52,260	52,240	228,800	110,000	922,630
2007 – 2011	0	0	0	0	2,249,635
2012 - 2016	0	0	0	0	1,061,650
2017 - 2021	0	0	0	0	1,058,300
2022	-	0	0	0	210,000
Total	<u>\$283,900</u>	<u>\$283,600</u>	<u>\$362,320</u>	<u>\$174,192</u>	<u>\$8,394,789</u>

**7. RETIREMENT SYSTEMS**

The Village's full-time law enforcement officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other full and part-time employees including law enforcement officers and firefighters belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

**VILLAGE OF SEBRING  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Employee Benefits Liability
- Public Officials Liability
- Law Enforcement Liability
- Vehicles, Inland Marine
- Errors and omissions.

Real property and contents are 90% coinsured.

The Village also provides dental and vision coverage to full-time employees through a private carrier.

**Self Insurance**

The Village is self insured for medical and life insurance with Managed Care of America (MCA), who acts as the Third Party Administrator (TPA) for claims processing. The Self Insurance Fund pays covered claims to service providers, and recovers these costs from charges to other funds based on an actuarially determined cost per employee. At December 31, 2001, the Self-Insurance fund had a negative fund balance of (\$183,789) due to a lack of transfers.

**9. SUBSEQUENT EVENTS**

The Village has obtained five debt issues since December 31, 2001. One debt issue is for the Village's Revolving Loan fund and was taken out for \$100,000 from Sky Bank, which is to be paid back in 2003 with interest at a rate of 5.2%. This money was borrowed on April 17, 2002. Another \$100,000 loan from Sky Bank was taken out on April 22, 2003. This money was borrowed to fund the loan/grant given to a local manufacturing company in 2001. The interest rate is 5.49% and is due with interest on April 22, 2003. The Village issued debt in the amount of \$1,200,000 from First Star Bank on April 29, 2002, in anticipation of the issuance of bonds for the purpose of paying part of the cost of streetscape improvements to Maryland and Ohio Avenues. This debt is to be paid back in full on April 29, 2003, plus interest at a rate of 2.68%. A \$500,000 loan was taken out on August 18, 2002 from US Bank for the purpose of acquiring land to enlarge Sebring's Industrial Park. This loan has an interest rate of 1.59% and is to be paid in full on August 18, 2003. The last loan was taken out for the purposes of street improvements for \$200,000 from US Bank at an interest rate of 1.59%. This loan is to be paid back in full on August 18, 2003.

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**STATE OF OHIO  
OFFICE OF THE AUDITOR**

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

Village of Sebring  
Mahoning County  
135 Ohio Avenue  
Sebring, Ohio 44672

To Village Council:

We have audited the accompanying financial statements of the Village of Sebring, Mahoning County (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated December 18, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-31150-001 through 2001-31150-007. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated December 18, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated December 18, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

**Jim Petro**  
Auditor of State

December 18, 2002



**VILLAGE OF SEBRING  
MAHONING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000**

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

**FINDING NUMBER 2001-31150-001**

**Noncompliance Citation**

Ohio Revised Code Section 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

Total appropriations exceeded total estimated receipts plus prior year's unencumbered balances (Total available) in the following funds:

<b>Fund</b>	<b>Year</b>	<b>Total Available</b>	<b>Total Appropriations</b>	<b>Difference</b>
Special Project Grant (207)	2001	\$0	\$270,000	(\$270,000)
Capital Improvement (401)	2001	\$160,000	\$310,000	(\$150,000)
Parks and Recreation (710)	2001	\$0	\$500,000	(\$500,000)
Sewer (706)	2001	\$800,000	\$1,589,209	(\$789,209)
Trust Accounts (999)	2001	\$0	\$22,650	(\$22,650)
Fire Security and Repair (802)	2001	\$50	\$11,814	(\$11,764)
Hospitalization (901)	2001	\$185,000	\$238,883	(\$53,883)
Drug Law Enforcement (805)	2000	\$2,528	\$5,598	(\$3,070)

This situation may lead to disbursements within said funds exceeding the actual revenue available.

Also, the Village did not file its appropriations with the county budget commission. This led to the Village not receiving a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

We recommend that Management monitor their budgetary cycle throughout the year to ensure that appropriations do not exceed the amounts on the certificate of estimated resources and any amendments thereto and actual revenue received. We also recommend that the Village file its appropriations with the county budget commission so as to obtain the certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

**FINDING NUMBER 2001-31150-002**

**Noncompliance Citation**

Ohio Revised Code Section 5705.41(B) provides that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated as provided in such chapter.

The Village had expenditures exceeding appropriations in the following funds and by the corresponding amounts at December 31, 2001 and 2000:

<b>Fund</b>	<b>Year</b>	<b>Total Expenditures</b>	<b>Total Appropriations</b>	<b>Difference</b>
General (100)	2001	\$1,257,699	\$ 998,029	(\$259,670)
Economic Development (711)	2001	\$ 200,000	\$ 0	(\$200,000)
Capital Improvement (401)	2001	\$ 744,407	\$ 310,000	(\$434,407)
General (100)	2000	\$1,209,590	\$ 956,485	(\$253,105)
Waterworks System Fund (701)	2000	\$ 771,636	\$ 491,150	(\$280,486)
Sewer (706)	2000	\$ 760,395	\$ 520,110	(\$240,285)
Fire Security & Repair (802)	2000	\$ 4,000	\$ 0	(\$4,000)
Hospitalization (901)	2000	\$ 242,640	\$ 178,883	(\$63,757)

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

**FINDING NUMBER 2001-31150-003**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.

B. If the amount involved is less than one thousand dollars the fiscal officer issues a certificate, but may authorize it to be paid without the affirmation of the Council, if such expenditure is otherwise valid.

The Village did not meet any of the exceptions provided for under 5705.41(D). The Village did not always certify funds when placing orders or making contracts in 2001 or 2000. There were 88% and 97% of expenditures tested that were not properly certified by the fiscal officer for 2001 and 2000 respectively. This lack of control over expenditures also undermines the Village's budget because purchases are made without knowledge of cash balances left in particular line items or funds.

The Village should utilize purchase orders to monitor appropriations on a consistent basis. In addition, we also recommend the Village Manager review and amend appropriations when it is determined that expenditures will exceed appropriations. The Village Manager should be informed of any and all purchases before they are made. This will ensure that purchase orders are completed prior to a purchase being made, as well as assuring that there are sufficient funds to cover the proposed purchase.

**FINDING NUMBER 2001-31150-004**

**Noncompliance Citation**

Ohio Revised Code Section 5705.36, states that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. This section allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

The Village did not complete the Certificate of the Total Amount From All Sources Available for Expenditure and Balances in 2001 as required. Also, the Village did not obtain an amended certificate of estimated resources for 2001.

We recommend that in the future, the Village should complete the Certificate of the Total Amount From all Sources Available for Expenditure in a timely manner. Also, an amended Certificate should be obtained when estimated resources are greater or less than the amount in the official certificate of estimated resources.

**FINDING NUMBER 2001-31150-005**

**Noncompliance Citation**

Ohio Revised Code Section 5705.34, states that each taxing authority is to pass an ordinance or resolution to authorize the necessary tax levies. Each such authority is to certify the levies to the county auditor before October 1st, unless a later date is approved by the tax commissioner.

The Village did not pass an ordinance or resolution to authorize the necessary tax levies to the county auditor in 2001.

In the future, Village council should pass an ordinance or resolution to authorize the necessary tax levies by October 1.

**FINDING NUMBER 2001-31150-006**

**Noncompliance Citation**

Ohio Revised Code Section 5705.10, states in part that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

At December 31, 2001, the Hospitalization fund had a deficit cash balance of \$183,789 and the Economic Development fund had a deficit cash balance of \$200,000. This indicates that money from other funds was used to cover the expenses of both the Hospitalization and Economic Development funds.

We recommend that Village council and management review fund balances at each meeting to ensure that there are no negative fund balances. If negative fund balances occur Village council and management should have a plan to address this situation.

**FINDING NUMBER 2001-31150-007**

**Noncompliance Citation**

Village Ordinance 1605-97 states that it is necessary to levy a tax in excess of the ten-mill limitation for the purpose of providing additional revenue for Fire Department equipment pursuant to Section 5705.19 (I) of the Ohio Revised Code.

The Village passed this additional levy in 1997 and created a Fire Levy fund. In the past the Village has only charged expenditures related to the purchase or financing of fire trucks to this fund. However, during 2001, it was noted that expenditures unrelated to equipment purchases and the fire trucks were charged to the Fire Levy fund. These charges had previously been charged to the General fund.

As a result, a finding for adjustment is hereby made against the General fund and in favor of the Fire Levy fund in the amount of \$81,565 to comply with the provisions of Village Ordinance 1605-97.

**VILLAGE OF SEBRING  
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain:</b></i>
1999-31150-001	Revised Code 5705.41(B), expenditures exceeding appropriations	No	Not corrected, this was reissued as finding number 2001-31150-002
1999-31150-002	Revised Code 5705.41(D), failure to certify funds	No	Not corrected, this was reissued as finding number 2001-31150-003
1999-31150-003	Village Ordinance 1288-82, establish and deposit funds into Waterworks Reserve Fund	Yes	Finding no longer valid, problem was corrected





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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800-282-0370  
Facsimile 614-466-4490

**VILLAGE OF SEBRING**

**MAHONING 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  
APRIL 10, 2003**