



**Auditor of State  
Betty Montgomery**



VILLAGE OF SEBRING  
MAHONING COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Sebring  
Mahoning County  
135 East Ohio Ave.  
Sebring, Ohio 44672

To Village Council:

We have audited the accompanying financial statements of the Village of Sebring (the Village) as of and for the years ended December 31, 2003 and 2002. 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, 2003 and 2002, 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 8, 2005 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 other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and you should read it in conjunction with this report in assessing the results of our audit.

Village of Sebring  
Mahoning County  
Independent Accountants' Report  
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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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 8, 2005

**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, 2003**

	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	\$684,854	\$585,036	\$103,799	\$13,709	\$1,387,398
Intergovernmental Receipts	342,396	198,065	0	0	540,461
Charges for Services	41,776	33,340	0	0	75,116
Fines, Licenses, and Permits	35,317	0	0	0	35,317
Earnings on Investments	29,540	0	0	0	29,540
Miscellaneous	43,242	35,621	4,696	0	83,559
<b>Total Cash Receipts</b>	<b>1,177,125</b>	<b>852,062</b>	<b>108,495</b>	<b>13,709</b>	<b>2,151,391</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	645,558	372,731	0	30,291	1,048,580
Public Health Services	13,307	0	0	0	13,307
Leisure Time Activities	0	242,535	0	0	242,535
Basic Utility Services	15,226	0	0	0	15,226
Transportation	0	333,687	115,484	0	449,171
General Government	1,330,661	65,653	0	220	1,396,534
Debt Service:					
Principal Payments	1,200,000	544,715	620,800	0	2,365,515
Interest Payments	66,359	16,532	38,952	0	121,843
Capital Outlay	374,479	5,686	0	0	380,165
<b>Total Disbursements</b>	<b>3,645,590</b>	<b>1,581,539</b>	<b>775,236</b>	<b>30,511</b>	<b>6,032,876</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(2,468,465)</b>	<b>(729,477)</b>	<b>(666,741)</b>	<b>(16,802)</b>	<b>(3,881,485)</b>
<b>Other Financing Receipts/(Disbursements):</b>					
Sale of Bonds or Notes	2,024,479	1,000,000	600,000	0	3,624,479
Transfers-In	133,000	215,468	17,095	2,400	367,963
Other Financing Receipts	5,377	360	0	0	5,737
Transfers-Out	(203,763)	(395,000)	(57,000)	0	(655,763)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>1,959,093</b>	<b>820,828</b>	<b>560,095</b>	<b>2,400</b>	<b>3,342,416</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(509,372)</b>	<b>91,351</b>	<b>(106,646)</b>	<b>(14,402)</b>	<b>(539,069)</b>
<b>Fund Cash Balances January 1</b>	<b>525,233</b>	<b>483,227</b>	<b>111,525</b>	<b>14,739</b>	<b>1,134,724</b>
<b>Fund Cash Balances, December 31</b>	<b>\$15,861</b>	<b>\$574,578</b>	<b>\$4,879</b>	<b>\$337</b>	<b>\$595,655</b>
<b>Reserves for Encumbrances, December 31</b>	<b>\$12,492</b>	<b>\$17,600</b>	<b>\$0</b>	<b>\$0</b>	<b>\$30,092</b>

*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, 2003**

	Proprietary		Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Internal Service	Agency	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$1,414,412	\$0	\$0	\$1,414,412
Special Assessments	3,302	0	0	\$3,302
Miscellaneous	20,819	0	0	20,819
Total Operating Cash Receipts	1,438,533	0	0	1,438,533
<b>Operating Cash Disbursements:</b>				
Personal Services	639,463	0	0	639,463
Contractual Services	284,103	277,746	0	561,849
Supplies and Materials	112,885	0	0	112,885
Capital Outlay	626,620	0	0	626,620
Total Operating Cash Disbursements	1,663,071	277,746	0	1,940,817
Operating Income/(Loss)	(224,538)	(277,746)	0	(502,284)
<b>Non-Operating Cash Receipts:</b>				
Intergovernmental Receipts	3,302	0	0	3,302
Proceeds from Notes and Bonds	658,604	0	0	658,604
Total Non-Operating Cash Receipts	661,906	0	0	661,906
<b>Non-Operating Cash Disbursements:</b>				
Debt Service	527,372	0	0	527,372
Total Non-Operating Cash Disbursements	527,372	0	0	527,372
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(90,004)	(277,746)	0	(367,750)
Transfers-In	506,034	277,800	0	783,834
Transfers-Out	(496,034)	0	0	(496,034)
Net Receipts Over/(Under) Disbursements	(80,004)	54	0	(79,950)
Fund Cash Balances, January 1	267,179	(1)	10,483	277,661
<b>Fund Cash Balances, December 31</b>	<b>\$187,175</b>	<b>\$53</b>	<b>\$10,483</b>	<b>\$197,711</b>
Reserve for Encumbrances, December 31	\$1,911	\$0	\$0	\$1,911

*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, 2002**

	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	\$584,112	\$501,224	\$88,293	\$12,262	\$1,185,891
Intergovernmental Receipts	377,391	201,288	0	1,338	580,017
Charges for Services	43,511	25,149	0	0	68,660
Fines, Licenses, and Permits	41,888	7,477	0	0	49,365
Earnings on Investments	19,795	0	0	0	19,795
Miscellaneous	50,961	52,920	3,731	196	107,808
<b>Total Cash Receipts</b>	<b>1,117,658</b>	<b>788,058</b>	<b>92,024</b>	<b>13,796</b>	<b>2,011,536</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	627,925	25,497	0	0	653,422
Public Health Services	12,503	0	0	0	12,503
Leisure Time Activities	0	249,935	0	0	249,935
Basic Utility Services	14,904	0	0	0	14,904
Transportation	0	288,496	0	0	288,496
General Government	806,206	79,551	14,937	279	900,973
Debt Service:					
Principal Payments	0	107,873	120,800	0	228,673
Interest Payments	0	7,961	36,134	0	44,095
Capital Outlay	96,340	65,939	519,656	0	681,935
<b>Total Disbursements</b>	<b>1,557,878</b>	<b>825,252</b>	<b>691,527</b>	<b>279</b>	<b>3,074,936</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(440,220)</b>	<b>(37,194)</b>	<b>(599,503)</b>	<b>13,517</b>	<b>(1,063,400)</b>
<b>Other Financing Receipts/(Disbursements):</b>					
Sale of Bonds or Notes	1,200,000	400,000	500,000	0	2,100,000
Transfers-In	0	251,404	133,449	0	384,853
Other Financing Receipts	63,015	12	0	0	63,027
Transfers-Out	(502,894)	(222,404)	(110,800)	(22,649)	(858,747)
Other Financing (Disbursements)	(55,425)	(21,093)	0	0	(76,518)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>704,696</b>	<b>407,919</b>	<b>522,649</b>	<b>(22,649)</b>	<b>1,612,615</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>264,476</b>	<b>370,725</b>	<b>(76,854)</b>	<b>(9,132)</b>	<b>549,215</b>
<b>Fund Cash Balances January 1</b>	<b>260,757</b>	<b>112,502</b>	<b>188,379</b>	<b>23,871</b>	<b>585,509</b>
<b>Fund Cash Balances, December 31</b>	<b>\$525,233</b>	<b>\$483,227</b>	<b>\$111,525</b>	<b>\$14,739</b>	<b>\$1,134,724</b>
<b>Reserves for Encumbrances, December 31</b>	<b>\$162,895</b>	<b>\$178,792</b>	<b>\$0</b>	<b>\$0</b>	<b>\$341,687</b>

*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, 2002**

	Proprietary		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Agency	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$1,435,411	\$0	\$0	\$1,435,411
Special Assessments	2,820	0	0	2,820
Miscellaneous	9,439	0	0	9,439
<b>Total Operating Cash Receipts</b>	<b>1,447,670</b>	<b>0</b>	<b>0</b>	<b>1,447,670</b>
<b>Operating Cash Disbursements:</b>				
Personal Services	521,970	0	0	521,970
Travel Transportation	168	0	0	168
Contractual Services	280,597	298,866	0	579,463
Supplies and Materials	122,031	0	0	122,031
Capital Outlay	66,798	0	0	66,798
<b>Total Operating Cash Disbursements</b>	<b>991,564</b>	<b>298,866</b>	<b>0</b>	<b>1,290,430</b>
Operating Income/(Loss)	456,106	(298,866)	0	157,240
<b>Non-Operating Cash Receipts:</b>				
Intergovernmental Receipts	2,350	0	0	2,350
<b>Total Non-Operating Cash Receipts</b>	<b>2,350</b>	<b>0</b>	<b>0</b>	<b>2,350</b>
<b>Non-Operating Cash Disbursements:</b>				
Debt Service	664,811	0	0	664,811
Other Non-Operating Cash Disbursements	5	0	0	5
<b>Total Non-Operating Cash Disbursements</b>	<b>664,816</b>	<b>0</b>	<b>0</b>	<b>664,816</b>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(206,360)	(298,866)	0	(505,226)
Transfers-In	532,234	473,894	0	1,006,128
Transfers-out	(532,234)	0	0	(532,234)
Other Financing Sources/(Uses)	(9,091)	8,760	(15,985)	(16,316)
<b>Net Receipts Over/(Under) Disbursements</b>	<b>(215,451)</b>	<b>183,788</b>	<b>(15,985)</b>	<b>(47,648)</b>
Fund Cash Balances, January 1	482,630	(183,789)	26,468	325,309
<b>Fund Cash Balances, December 31</b>	<b>\$267,179</b>	<b>(\$1)</b>	<b>\$10,483</b>	<b>\$277,661</b>
Reserve for Encumbrances, December 31	\$92,601	\$0	\$0	\$92,601

*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, 2003 AND 2002**

**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.

*Fire Levy Fund* -The Village levies a tax on all property located within the Village. Fire Levy revenues are specifically for purchasing fire vehicles and equipment and also for constructing an addition to the current fire station #1.

**VILLAGE OF SEBRING  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(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 fund:

*Capital Improvement Fund* - This fund receives a portion of 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 sewer projects.

**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 transfers from the General Fund to cover the cost of the employee's and the Village's share of the 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 fund:

*Police Pension* – This fund receives monies from property taxes to provide part of the costs of the Security of Persons and Property for the Village.

**VILLAGE OF SEBRING  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(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 2003 and 2002 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, 2003 AND 2002  
(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:

	2003	2002
Demand deposits	\$793,366	\$1,366,415
Repurchase agreement	0	45,970
Total deposits and investments	793,366	1,412,385

**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, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$3,339,981	\$3,339,981
Special Revenue	0	2,067,890	2,067,890
Capital Projects	0	725,590	725,590
Expendable Trust	0	16,109	16,109
Enterprise	0	2,606,473	2,606,473
Internal Service	0	277,800	277,800
Agency	0	0	0
Total	\$0	\$9,033,843	\$9,033,843

**VILLAGE OF SEBRING  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,672,073	\$3,861,845	(\$189,772)
Special Revenue	1,237,333	1,994,139	(756,806)
Capital Projects	122,500	832,236	(709,736)
Expendable Trust	43,500	30,511	12,989
Enterprise	2,783,000	2,688,388	94,612
Internal Service	250,000	277,746	(27,746)
Agency	10,450	0	10,450
Total	<u>\$8,118,856</u>	<u>\$9,684,865</u>	<u>(\$1,566,009)</u>

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,309,670	\$2,380,673	\$1,071,003
Special Revenue	1,389,691	1,439,474	49,783
Capital Projects	349,074	725,473	376,399
Expendable Trust	58,479	13,796	(44,683)
Enterprise	2,924,370	1,982,254	(942,116)
Internal Service	408,789	482,654	73,865
Agency	8,078	0	(8,078)
Total	<u>\$6,448,151</u>	<u>\$7,024,324</u>	<u>\$576,173</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,867,588	\$2,279,092	(\$411,504)
Special Revenue	1,270,132	1,247,541	22,591
Capital Projects	438,880	802,327	(363,447)
Expendable Trust	65,650	22,928	42,722
Enterprise	2,737,113	2,290,306	446,807
Internal Service	225,000	298,866	(73,866)
Agency	26,634	15,985	10,649
Total	<u>\$6,630,997</u>	<u>\$6,957,045</u>	<u>(\$326,048)</u>

Contrary to Ohio law, specific resolutions were not being passed by Council for interfund transfers.

Contrary to Ohio law, expenditures were not being properly certified in 2002 and 2003.

Contrary to Ohio law, estimated receipts were in excess of actual receipts in the following funds in 2002: Special Project Grant, Water 1<sup>st</sup> Mortgage, Sewer, Police Pension, and Fire Security and Repair.

**VILLAGE OF SEBRING  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

Contrary to Ohio law, total appropriations exceeded total estimated resources available for expenditure in the following funds in 2003: General, Brownfield Grant, Street Maintenance and Repair, Income Tax, Parks and Recreation Capital Improvement, Waterworks System, Sewer, Sewer 1<sup>st</sup> Mortgage, Police Pension, and Hospitalization. In 2002, the following funds had total appropriations exceed total estimated resources: General and Street Maintenance and Repair.

Contrary to Ohio law, expenditures exceeded appropriations for 2003 in the following funds: Fire Levy, Economic Development, Capital Improvement, and Hospitalization. In 2002 the General, Capital Improvement, and the Hospitalization funds had expenditures which exceeded appropriations.

Contrary to Ohio law, the following funds had negative cash balances in 2003: Brownfield Grant, Civic Center, Sewer 1<sup>st</sup> Mortgage, Pool, Parks and Recreation Capital Improvement, Economic Development, and Hospitalization. The Brownfield Grant fund also had a negative fund balance at year end. In 2002, the following funds had negative cash balances: COPS Grant, Street Maintenance and Repair, Recreation, Civic Center, Special Project Grant, Fire Levy, Water Extension Line, Sewer 1<sup>st</sup> Mortgage, Pool, Parks and Recreation Capital Improvement, Economic Development, and Hospitalization.

**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.

**VILLAGE OF SEBRING  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**6. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Waterworks System First Mort. Rev. Bonds	\$2,562,000	5.00%
OWDA Wastewater Treatment Plant	\$1,721,885	2.00%
Backhoe Capital Lease	\$4,191	5.63%
Dump Truck Note	\$48,728	4.46%
Park & Recreation Note	\$150,000	4.52%
FA Sebring School Purchase Note	\$150,000	4.48%
Water Tank Improvement Note	\$270,400	4.48%
WWTP Phase I Improvement Note	\$130,000	4.48%
WWTP Phase II OWDA Note	\$714,626	4.84%
Downtown Economic Revitalization Imp. Bonds	\$1,170,000	5.38%
OPWC 15th Street/Ohio Ave Repair/Replace	\$600,000	0%
Real Estate Acquisition Notes	\$500,000	3.10%
Street Improvements	\$200,000	3.10%
Front End Loader Capital Lease	\$45,294	5.00%
Skid Steer Loader Capital Lease	\$15,914	5.50%
Fire Equipment & Building Bonds	\$600,000	3.43%
Economic Development Tax Anticipation Notes	\$150,000	3.95%
Economic Development Revenue Bonds, 2003B	\$100,000	6.94%
Economic Development Revenue Bonds, 2003B	\$200,000	4.76%
Economic Development Revenue Bonds, 2003A	\$300,000	6.94%
	<b>\$9,633,038</b>	

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 an enterprise fund on the financial statements. The balance in the debt service reserve fund at December 31, 2003 is \$152,462.

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 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.

**VILLAGE OF SEBRING  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**6. DEBT (Continued)**

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, for 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 relates 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 repaid with anticipated income tax receipts. In the case of 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.

The Waste Water Treatment Phase I Improvements Note relates to improvements to the sewer treatment plant. This loan is to be repaid in four annual payments of \$10,000 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.

The OWDA Waste Water Treatment Plant Phase I Note relates to improvements to the sewer treatment plant. This note was taken out on October 31, 2002 in the amount of \$714,626. The loan is to be repaid in semiannual installments of \$28,086 (annual payments of \$56,172), including interest of 4.84%, over 20 years. The scheduled payment amount below assumes that \$714,626 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.

**VILLAGE OF SEBRING  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**6. DEBT (Continued)**

The Downtown Economic Revitalization Improvement Bonds (Streetscape Improvement Bonds) were taken out to make certain downtown economic revitalization improvements, including streetscape improvements to Maryland and Ohio Avenues in the Village. The bonds were taken out on April 15, 2003 in the amount of \$1,200,000. The bonds are to be repaid in semiannual installments of \$30,000, plus interest of 5.38%, over 20 years. The bonds are to be paid from an additional property tax levy imposed by the Village.

The Ohio Public Works Commission (OPWC) Loan relates to the 15<sup>th</sup> Street/Ohio Avenue Repair/Replacement project. This loan was taken out on July 1, 2002 in the amount of \$600,000. The loan is to be repaid in semiannual installments of \$15,000 (annual payments of \$30,000) over 20 years, with no interest. The loan is to be repaid with Water/Sewer revenues or any other revenues available to pay for this loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Real Estate Bond Anticipation Notes relate to the acquisition of real estate. The Bond Anticipation Notes were taken out on August 11, 2003 in the amount of \$500,000. The Notes are to be paid in annual installment of \$100,000, plus interest of 3.10% over five years. The Notes are to be paid from the anticipated general revenues of the Village.

The Street Improvement Bond Anticipation Notes relate to the paying for part of the cost of street improvements. The Bond Anticipation Notes were taken out on August 18, 2003 in the amount of \$200,000. The Notes are to be paid in annual installment of \$40,000, plus interest of 3.10% over five years. The Notes are to be paid from anticipated income tax revenues of the Village. 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 Front-End Loader Capital Lease was entered into on May 7, 2002, to lease a new Front-End Loader for the Village Street Department. This lease is to be paid in 60 monthly payments of \$1,184, for annual payments of \$14,208, which includes interest of 5.00%. The loan is to be repaid with revenues of the Street Department.

The Skid Steering Loader Capital Lease was entered into on August 26, 2002, to lease a new Skid Steering Loader for the Village Street Department. This lease is to be paid in 60 monthly payments of \$395, for annual payments of \$4,736, which includes interest of 5.50%. The loan is to be repaid with revenues of the Street Department.

The Fire Equipment and Building Bonds were taken out to purchase a fire truck and expand Fire Station No. 1. The Bonds were taken out on August 22, 2003 in the amount of \$600,000. The Bonds are to be paid in semiannual payments of \$60,000, plus interest of 3.43% over five years. The Bonds are to be repaid with anticipated property tax revenues generated from a levy passed specifically to fund this project.

The Economic Development Tax Anticipation Note relates to a business loan given to a local company for improvements to be made to the business's building. The Notes were taken out on June 11, 2003 in the amount of \$150,000. The Notes are to be paid in annual installments of \$10,000, plus interest of 3.95%. A balloon payment of \$110,000 plus interest will be required in 2008. The Notes are to be paid from anticipated income tax revenues of the Village. 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, 2003 AND 2002  
(Continued)**

**6. DEBT (Continued)**

The Economic Development Revenue Bonds, Series 2003B relate to general parks improvements including the acquisition and renovation of a building known as the Stingray Building. The Bonds were taken out on December 5, 2003, in the amount of \$100,000. The Bonds are to be paid in semi annual payments of \$7,017, including interest of 6.94% over ten years. The Bonds are to be repaid with anticipated money from the sale of the Stingray or any source of revenue other than tax revenue that is available.

The Downtown Economic Revitalization Improvement Bonds, Series 2003B relate to paying part of the cost of downtown economic revitalization improvements, including streetscape improvements to Maryland and Ohio Avenues. The Bonds were taken out on December 5, 2003, in the amount of \$200,000. The Bonds are to be paid in semi annual payments of \$12,684, including interest of 4.76% over ten years. The Bonds are to be repaid with anticipated property tax revenues generated from a levy passed specifically to fund this project.

The Economic Development Revenue Bonds, Series 2003A relate to the village making loans as part of the creation and maintenance of a revolving loan fund for economic development. The Bonds were taken out on December 5, 2003, in the amount of \$300,000. The Bonds are to be paid in semi annual payments of \$21,051, including interest of 6.94% over ten years. The Bonds are to be repaid with amounts received by the Municipality in repayment of the current outstanding revolving loans and all revenue from sources other than tax revenue that is available.

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

Year ending	Waterworks 1st Mortgage Rev. Bonds	OWDA Wastewater Loan	Backhoe Capital Lease	Dump Truck Note	Park & Recreation Note
December 31:					
2004	\$214,100	\$264,830	\$4,309	\$50,901	\$56,780
2005	209,800	264,830	0	0	\$54,520
2006	214,500	264,830	0	0	\$52,260
2007	209,750	264,830	0	0	0
2008	214,000	264,830	0	0	0
2009-2013	1,057,850	529,660	0	0	0
2014-2018	1,061,450	0	0	0	0
2020-2023	844,800	0	0	0	0
2024	0	0	0	0	0
Total	<u>\$4,026,250</u>	<u>\$1,853,810</u>	<u>\$4,309</u>	<u>\$50,901</u>	<u>\$163,560</u>

**VILLAGE OF SEBRING  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**6. Debt (Continued)**

Year ending December 31:	FA Sebring School Purchase Note	Water Tank Improvement Note	WWTP Phase I Improvement Note	WWTP Phase I OWDA Note	Downtown Economic Revitalization Imp. Bonds
2004	\$56,720	\$32,914	\$15,824	\$0	\$122,139
2005	54,480	31,982	15,376	56,172	118,911
2006	52,240	239,050	114,928	56,172	115,683
2007	0	0	0	56,172	112,455
2008	0	0	0	56,172	109,227
2009-2013	0	0	0	280,860	497,715
2014-2018	0	0	0	280,860	417,015
2019-2023	0	0	0	280,860	306,315
2024	0	0	0	56,172	0
<b>Total</b>	<b>\$163,440</b>	<b>\$303,946</b>	<b>\$146,128</b>	<b>\$1,123,440</b>	<b>\$1,799,460</b>

Year ending December 31:	OPWC 15th Street/Ohio Ave Repair	Real Estate Bond Anticipation Notes	Street Improvements	Front End Loader Capital Lease	Skid Steer Loader Capital Lease
2004	\$30,000	\$115,500	\$46,200	\$14,205	\$4,736
2005	30,000	112,400	44,960	14,205	4,736
2006	30,000	109,300	43,720	14,205	4,736
2007	30,000	106,200	42,480	4,735	2,763
2008	30,000	103,100	41,240	0	0
2009-2013	150,000	0	0	0	0
2014-2018	150,000	0	0	0	0
2019-2023	150,000	0	0	0	0
2024	0	0	0	0	0
<b>Total</b>	<b>\$600,000</b>	<b>\$546,500</b>	<b>\$218,600</b>	<b>\$47,350</b>	<b>\$16,971</b>

**VILLAGE OF SEBRING  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**6. DEBT (Continued)**

Year ending	Fire Equipment and Building Bonds	Economic Development TAN	Economic Development Revenue Bonds 2003B	Downtown Economic Revitalization Improvement Bonds 2003B	Economic Development Revenue Bonds 2003A	Total Debt Service
December 31:						
2004	\$139,551	\$15,925	\$14,034	\$25,369	\$42,102	\$1,266,139
2005	135,435	15,530	14,034	25,369	42,102	1,244,842
2006	131,319	15,135	14,034	25,369	42,102	1,539,583
2007	127,203	14,740	14,034	25,369	42,102	1,052,833
2008	123,087	114,345	14,034	25,369	42,102	1,137,506
2009-2013	0	0	70,170	126,845	210,511	2,923,611
2014-2018	0	0	0	0	0	1,909,325
2019-2023	0	0	0	0	0	1,581,975
2024	0	0	0	0	0	56,172
Total	<u>\$656,595</u>	<u>\$175,675</u>	<u>\$140,340</u>	<u>\$253,690</u>	<u>\$421,021</u>	<u>\$12,711,986</u>

Contrary to the Code of Federal Regulations, annual debt information was not being submitted to the Nationally Recognized Municipal Security Information Repositories and the State Information Depository (SID).

**7. RETIREMENT SYSTEMS**

The Village's full-time law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time 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 2003 and 2002, 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 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

**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; and
- Errors and omissions.

**VILLAGE OF SEBRING  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

**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.

**9. SUBSEQUENT EVENTS**

The Village issued a bond anticipation note in the amount of \$513,000 on November 10, 2005 with JP Morgan Chase Bank, N.A. at a rate of 4.19% to refinance a previously restructured capital note.

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**Auditor of State  
Betty Montgomery**

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

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

To Village Council:

We have audited the financial statements of the Village of Sebring (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated December 8, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-009 and 2003-010.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the Village's management dated December 8, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 through 2003-008. In a separate letter to the management dated December 8, 2005, we reported other matters related to noncompliance we deemed immaterial.

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.



**Betty Montgomery**  
Auditor of State

December 8, 2005

VILLAGE OF SEBRING  
MAHONING COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

**Noncompliance Citation**

Ohio Revised Code Section 5705.14 indicates that before an interfund transfer can be made from the General Fund, a resolution of the taxing authority of the political subdivision shall be passed by a majority of the governing board. See also 1989 Ohio Attorney General Opinion No. 89-075 (Ohio Rev. Code Section 5705.14(E) has been interpreted to require a resolution passed by a simple majority when transferring funds from the general revenue fund to specific funds.) The Village processed 19% of its transfers in 2002 and 16% of its transfers in 2003 from the General Fund to other funds without specific resolutions being passed by Council authorizing such transactions. This could lead to funds being used for unauthorized or illegal purposes.

We recommend that individual transfers be approved by resolution of Council to ensure that funds are being used for authorized and legal purposes.

FINDING NUMBER 2003-002

**Noncompliance Citation**

Ohio Revised 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.

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 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.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) 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 2003-002**  
**(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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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 reasonable predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not always certify funds when placing orders or making contracts in 2002 or 2003. This occurred in 75% of the expenditures tested for 2002 and 68% of the expenditures tested in 2003. 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. Failure to certify the availability of funds properly can result in overspending funds and negative cash fund balances.

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

We recommend the Village officials and employees obtain the Village Manager’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 Village Manager should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41 (D) are satisfied. The Village Manager should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

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.

We also noted in our review of the Village’s codified ordinances that **Codified Ordinance Section 525.15(d)** and **Codified Ordinance Section 525.15(f)** related to the issue of expending more money than was appropriated and the consequences of violating these codified ordinance sections. We recommend that Management and Village Council review these aforementioned codified ordinance sections for further assistance in this area.

### FINDING NUMBER 2003-003

#### Noncompliance Citation

17 C.F.R. Section 240.15c2-12 states that the issuer and/or obligated persons (i.e., entities directly or contingently responsible for repaying the securities) must agree in writing, to provide to all approved Nationally Recognized Municipal Security Information Repositories (NRMSIRs) and to the State Information Depository (SID):

- Annual financial information and operating data.
- Timely material event notices. Underwriters must also establish procedures to assure they receive these notices.
- Audited financial statements, when and if available.
- Timely notice of failure to provide required financial information.

The Village issued a Bond Anticipation Note in FY 2002 in the amount of \$1,200,000 and issued bonds in FY 2003 in the same amount. The Village did not submit annual information to the NRMSIRs or the State Information Depository which could lead to the debt being declared non-tax-exempt.

We recommend that the Village remit the required information, as noted above, to the NRMSIRs and the State Information Depository.

### FINDING NUMBER 2003-004

#### Noncompliance Citation

The Village of Sebring's **Codified Ordinance Section 127.02** states that all drafts, checks and other negotiable instruments or orders drawn against all of the accounts of the Municipality in its duly established depositories shall be signed and executed on behalf of the Municipality by any of the following officials to-wit: The Mayor, President of Council, the Municipal Manager, and the Clerk of Council; provided, however, that the signatures of at least two of the foregoing named officials shall be required on each such draft, check, instrument or order.

Through our testing of non-payroll disbursements, we noted that 59% of checks in 2002 and 74% of checks in 2003 did not have two authorized signatures, and through our testing of payroll disbursements, we noted that 67% of checks in 2002 and 100% of checks in 2003 did not have two authorized signatures.

This could lead to unauthorized expenditures being made. We recommend that the Village have two authorized signatories sign each check to ensure expenditures are proper.

### FINDING NUMBER 2003-005

#### Noncompliance Citation

Ohio Revised Code Section 5705.36 A(4) provides in part that upon determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in the current official certificate, the fiscal officer shall certify the amount of the deficiency to the county budget commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the deficiency.

**FINDING NUMBER 2003-005  
 (Continued)**

The intent of this statutory requirement is to require a subdivision to certify receipt amounts based on realistic projection of receipts and to require the fiscal officer to obtain a “reduction” certificate when it appears that budgetary resources will fall short of earlier estimates, reducing the possibility that deficit spending will occur. The Village’s actual receipts were less than estimated receipts in the following funds and by the stated amount. As such, in several funds the reduced receipt amounts caused the actual amount of funds available to fall below the total appropriations for the fund.

<b>Fund</b>	<b>Estimated Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
<b>2002</b>			
<b>Special Revenue</b>			
207 Special Project Grant	230,000	0	(230,000)
<b>Enterprise</b>			
702 Water 1 <sup>st</sup> Mortgage	420,900	213,900	(207,000)
706 Sewer Fund	1,341,429	741,869	(599,560)
<b>Expendable Trust</b>			
801 Police Pension	58,479	13,600	(44,879)
<b>Agency</b>			
802 Fire Security and Repair	7,883	0	(7,883)

We recommend the Village obtain a reduced amended certificate of estimated resources, and subsequently reduce appropriations, if needed, when it becomes apparent that actual receipts will become less than the amounts estimated.

**FINDING NUMBER 2003-006**

**Noncompliance Citation**

Ohio Revised Code Section 5705.39 provides, in part, that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from, as certified by the county budget commission. No appropriations 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.

Appropriations exceeded estimated resources in the following funds:

<b>Fund</b>	<b>Appropriations</b>	<b>Estimated Resources</b>	<b>Variance</b>
<b>2003</b>			
100 General	\$3,672,290	\$ 605,825	\$(3,066,465)
<b>Special Revenue Funds</b>			
130 Brownfield Grant	154,426	0	(154,426)
201 Street Maintenance and Repair	370,064	95,483	(274,582)
205 Income Tax Fund	325,330	35,859	(289,471)

**FINDING NUMBER 2003-006**  
**(Continued)**

<b>Capital Projects Fund</b>			
710 Parks and Rec. Capital Imp.	122,500	905	(121,595)
<b>Enterprise Funds</b>			
701 Waterworks System Fund	841,132	69,772	(771,360)
706 Sewer Fund	1,451,587	4,821	(1,446,766)
707 Sewer 1 <sup>st</sup> Mortgage Fund	264,830	0	(264,830)
<b>Expendable Trust Fund</b>			
801 Police Pension	43,500	14,544	(28,956)
<b>Internal Service Fund</b>			
901 Hospitalization Fund	250,000	0	(250,000)
<b>2002</b>			
100 General	1,867,588	1,642,435	(225,153)
<b>Special Revenue Fund</b>			
201 Street Maintenance and Repair	379,721	245,454	(134,267)

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 2003-007**

**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, 2003 and 2002 respectively:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
<b>2003</b>			
<b>Special Revenue Funds</b>			
301 Fire Levy Fund	\$ 48,900	\$ 370,084	\$(321,183)
711 Economic Development	7,889	210,645	(202,756)
<b>Capital Projects Fund</b>			
401 Capital Improvement	0	214,236	(214,236)

**FINDING NUMBER 2003-007  
 (Continued)**

<b>Internal Service Fund</b>			
901 Hospitalization Fund	250,000	277,746	(27,746)
<b>2002</b>			
100 General Fund	1,867,588	2,232,066	(364,478)
<b>Capital Projects Fund</b>			
401 Capital Improvement	286,105	667,396	(381,291)
<b>Internal Service Fund</b>			
901 Hospitalization Fund	\$ 225,000	\$ 298,866	\$ (73,866)

We recommend that Village Council and the Village Manager monitor closely the annual budget and file amended certificates of estimated resources and appropriations as needed to ensure disbursements are within the amounts legally appropriated. We also recommend that the Village Manager deny expenditures that exceed appropriations.

**FINDING NUMBER 2003-008**

**Noncompliance Citation**

Ohio Revised Code Section 5705.10 states 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.

The following funds carried negative fund balances at one point in 2002 and 2003:

**2002 Funds**

- #120 – COPS Grant
- #201 – Street Maintenance and Repair
- #202 – Recreation
- #204 – Civic Center
- #207 – Special Project Grant
  
- #301 – Fire Levy Fund
- #705 – Water Extension Line
- #707 – Sewer 1<sup>st</sup> Mortgage
- #709 - Pool
- #710 – Parks and Recreation  
Capital Improvement
- #711 – Economic Development
- #901 - Hospitalization

**2003 Funds**

- #130 - Brownfield Grant
- #204 - Civic Center
- #707 – Sewer 1<sup>st</sup> Mortgage
- #709 - Pool
- #710 – Parks and Recreation  
Capital Improvement
- #711 – Economic Development
- #901 - Hospitalization

No funds for the year ended 2002 had a deficit fund balance. For the year ended 2003, Fund #130 – Brownfield Grant had a deficit fund balance of \$3,070 at year end.

We recommend that the Village use funds from a specific fund only for which such fund has been established, so as to avoid having funds with negative fund balances and to comply with Ohio Revised Code Section 5705.10.

## FINDING NUMBER 2003-009

### Reportable Condition

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The following reports are available for printing from the Village's computer system:

1. Payroll reports related to payroll expenses;
2. Month to date and year to date receipt and expenditure reports by account;
3. Monthly statement of cash position;
4. Bank balance report;
5. Detailed budget vs. actual financial statements;
6. Lists of investment and interest revenue;
7. Lists of new debt issued or debt payments made;
8. Comparisons between current year receipts and expenditures to prior year receipts and expenditures;
9. Detailed list of checks paid.

Council is only provided monthly fund statements which include receipts, disbursements, and fund balances for each fund and a list of checks to approve. Council approves disbursements, in total dollar amount only, at each regularly scheduled council meeting. However, there is no indication within Council minutes that any of these aforementioned reports are provided to Council for their use or review to assist them in monitoring financial activity.

We recommend that for each regular Village Council meeting, the Village Manager provide Council with the following: payroll reports related to payroll expenses, month to date and year to date receipt and expenditure reports by account, monthly statement of cash position, bank balance report, detailed budget vs. actual financial statements, lists of investment and interest revenue, lists of new debt issued or debt payments made, comparisons between current year receipts and expenditures to prior year receipts and expenditures, and a detailed list of checks paid. Council should carefully review this data and make appropriate inquiries to help determine the continued integrity of financial information. This information can also provide important data necessary to manage the Village. This data can help answer questions such as the following:

- Are current receipts sufficient to cover expenditures?
- Are expenditures in line with prior year costs?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
- Are anticipated receipts being timely received?
- Is the Village maximizing its return on invested cash balances?

We also recommend that the Village institute procedures or policies to ensure that various financial reports including but not limited to those above are available for review by Council. This financial activity should be available in sufficient detail and on a timely basis as deemed appropriate for effective monitoring of the Village's performance.

**FINDING NUMBER 2003-010**

**Reportable Condition**

Governmental entities have the ability to provide cell phones, credit cards and purchasing cards for use by authorized employees, government-owned vehicles and equipment (e.g., computers, internet and phone usage, etc.), for use by authorized users as well as reimbursement for travel expenses. The use of these items should be specified in a policy established by the government's legislative body. These policies should, at a minimum, identify authorized users; guidelines for allowable use/ purchases; method of reimbursement (if personal use is allowed); specific unallowable uses; reporting; monitoring of use by appropriate levels of management; and other guidelines deemed appropriate by the legislative body.

The Village does not currently have a formal policy regarding the usage of cell phones, credit cards and purchasing cards for use by authorized employees, and government-owned vehicles and equipment. Also, the Village does not currently have a written travel policy. This could cause excessive travel expenses to be incurred and paid by the Village.

We recommend that the Village formulate specific policies and procedures regarding the usage of the aforementioned items, so as to implement greater control over these items, and to act as a preventative measure against misuse and abuse.

We also recommend that Council formulate a written travel policy for both expenditures paid directly by the Village or paid by the employee and subsequently reimbursed. This policy should delineate the types of expenditures allowable and unallowable, the maximum amounts allowed, required documentation such as detailed receipts for any and all charges, and also the course of action that will be taken if such policy is not followed. Examples of maximum amounts for allowable expenses may be limitations for each daily meal (including room service) and government rates for lodging. Examples of unallowable expenditures are alcoholic beverages, taxes (excluding room tax), and anything else that may not be considered proper public purpose or that the Village deems not to be in the best interest of its citizens.

**VILLAGE OF SEBRING  
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002**

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>
2001-001	Ohio Revised Code 5705.39, the Village had several funds that had appropriations that exceeded estimated resources in several funds.	No	Re-issued as finding number 2003-006.
2001-002	Ohio Revised Code 5705.41(B), the Village had expenditures that exceeded appropriations in several funds.	No	Re-issued as finding number 2003-007.
2001-003	Ohio Revised Code 5705.41(D), the village did not always certify funds before issuing a check.	No	Re-issued as finding number 2003-002.
2001-004	Ohio Revised Code 5705.36, the Village did not certify the Total Amount Available for expenditure in 2001. Also, the Village did not receive a reduced amended certificate of estimated resources.	No	We issued part of this citation in the management letter and re-issued the remaining violation as finding number 2003-005.
2001-005	Ohio Revised Code 5705.34 the village did not authorize the necessary tax levies	Yes	Fully corrected.
2001-006	Ohio Revised Code 5705.10, the Village had negative fund balances at year end.	No	Re-issued as finding number 2003-008.
2001-007	Village Ordinance 1605-97 passed an additional levy in excess of the ten-mill limitation for a Fire Levy.	Yes	Fully corrected.





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**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  
DECEMBER 30, 2005**