



Mary Taylor, CPA
Auditor of State

VILLAGE OF SEBRING
MAHONING COUNTY

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Mary Taylor, CPA

Auditor of State

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

To the Village Council:

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

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Mary Taylor, CPA
Auditor of State

March 4, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the 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, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Sebring, Mahoning County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Mary Taylor, CPA
Auditor of State

March 4, 2008

**VILLAGE OF SEBRING
MAHONING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$887,941	\$370,902	\$161,359	\$1,420,202
Intergovernmental	119,366	213,260		332,626
Charges for Services	32,763	65,700		98,463
Fines, Licenses and Permits	53,526			53,526
Earnings on Investments	10,144			10,144
Miscellaneous	78,283	11,766	5,382	95,431
	<u>1,182,023</u>	<u>661,628</u>	<u>166,741</u>	<u>2,010,392</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	665,814	97,550		763,364
Public Health Services	12,738	10,622		23,360
Leisure Time Activities		129,947		129,947
Community Environment	2,888	6,000		8,888
Basic Utility Service		12,354		12,354
Transportation		179,766		179,766
General Government	327,524	79,704		407,228
Debt Service:				
Redemption of Principal	117,717	120,000	640,000	877,717
Interest and Fiscal Charges	98,264	15,828	50,305	164,397
Capital outlay		18,941		18,941
	<u>1,224,945</u>	<u>670,712</u>	<u>690,305</u>	<u>2,585,962</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>(42,922)</u>	<u>(9,084)</u>	<u>(523,564)</u>	<u>(575,570)</u>
Other Financing Receipts / (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes			513,000	513,000
Transfers-In	56,934	37,900		94,834
Transfers-Out	(126,573)	(74,900)	(9,500)	(210,973)
	<u>(69,639)</u>	<u>(37,000)</u>	<u>503,500</u>	<u>396,861</u>
Total Other Financing Receipts / (Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(112,561)</u>	<u>(46,084)</u>	<u>(20,064)</u>	<u>(178,709)</u>
Fund Cash Balances, January 1	<u>120,224</u>	<u>162,351</u>	<u>21,447</u>	<u>304,022</u>
Fund Cash Balances, December 31	<u>\$7,663</u>	<u>\$116,267</u>	<u>\$1,383</u>	<u>\$125,313</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</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 FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Agency	
Operating Cash Receipts:				
Charges for Services	\$1,524,796	\$0	\$0	\$1,524,796
Miscellaneous	8,829		4,000	12,829
Total Operating Cash Receipts	<u>1,533,625</u>	<u>0</u>	<u>4,000</u>	<u>1,537,625</u>
Operating Cash Disbursements:				
Personal Services	828,251			828,251
Contractual Services		226,616		226,616
Total Operating Cash Disbursements	<u>828,251</u>	<u>226,616</u>	<u>0</u>	<u>1,054,867</u>
Operating Income/(Loss)	<u>705,374</u>	<u>(226,616)</u>	<u>4,000</u>	<u>482,758</u>
Non-Operating Cash Receipts:				
Total Non-Operating Cash Receipts	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Non-Operating Cash Disbursements:				
Debt Service	543,324			543,324
Other Non-Operating Cash Disbursements			4,600	4,600
Total Non-Operating Cash Disbursements	<u>543,324</u>	<u>0</u>	<u>4,600</u>	<u>547,924</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	162,050	(226,616)	(600)	(65,166)
Transfers-In	549,152	126,573		675,725
Transfers-Out	(549,152)		(10,434)	(559,586)
Net Receipts Over/(Under) Disbursements	162,050	(100,043)	(11,034)	50,973
Fund Cash Balances, January 1	<u>234,214</u>	<u>43</u>	<u>21,879</u>	<u>256,136</u>
Fund Cash Balances, December 31	<u>\$396,264</u>	<u>(\$100,000)</u>	<u>\$10,845</u>	<u>\$307,109</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</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 GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$770,301	\$391,684	\$156,657	\$1,318,642
Intergovernmental	627,232	202,178		829,410
Charges for Services	31,001	30,963		61,964
Fines, Licenses and Permits	31,240			31,240
Earnings on Investments	6,694	25,841		32,535
Miscellaneous	49,119	30,442	5,871	85,432
	<u>1,515,587</u>	<u>681,108</u>	<u>162,528</u>	<u>2,359,223</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	618,510	425,505		1,044,015
Public Health Services	12,706	42,979		55,685
Leisure Time Activities		87,642		87,642
Transportation		4,672		4,672
General Government	363,212	103,627		466,839
Debt Service:				
Redemption of Principal	114,906	336,243	1,070,400	1,521,549
Interest and Fiscal Charges	136,688	25,572	44,500	206,760
Capital Outlay	97,475	195,297	24,408	317,180
	<u>1,343,497</u>	<u>1,221,537</u>	<u>1,139,308</u>	<u>3,704,342</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>172,090</u>	<u>(540,429)</u>	<u>(976,780)</u>	<u>(1,345,119)</u>
Other Financing Receipts / (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes		200,000	1,070,001	1,270,001
Transfers-In	116,652	41,600	13,406	171,658
Transfers-Out	(194,906)	(91,252)	(90,000)	(376,158)
Other Financing Sources		185		185
	<u>(78,254)</u>	<u>150,533</u>	<u>993,407</u>	<u>1,065,686</u>
Total Other Financing Receipts / (Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	93,836	(389,896)	16,627	(279,433)
Fund Cash Balances, January 1 (Restated - See Note 11)	26,388	552,247	4,820	583,455
Fund Cash Balances, December 31	<u>\$120,224</u>	<u>\$162,351</u>	<u>\$21,447</u>	<u>\$304,022</u>
Reserve for Encumbrances, December 31	<u>\$472</u>	<u>\$2,142</u>	<u>\$0</u>	<u>\$2,614</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 FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary Fund Types			Totals (Memorandum Only)
	Enterprise	Internal Service	Agency	
Operating Cash Receipts:				
Charges for Services	\$1,453,496	\$0	\$0	\$1,453,496
Miscellaneous	9,088		25,200	34,288
Total Operating Cash Receipts	<u>1,462,584</u>	<u>0</u>	<u>25,200</u>	<u>1,487,784</u>
Operating Cash Disbursements:				
Personal Services	537,096			537,096
Contractual Services	249,424	204,511		453,935
Supplies and Materials	67,944			67,944
Capital Outlay	45,446			45,446
Total Operating Cash Disbursements	<u>899,910</u>	<u>204,511</u>	<u>0</u>	<u>1,104,421</u>
Operating Income/(Loss)	<u>562,674</u>	<u>(204,511)</u>	<u>25,200</u>	<u>383,363</u>
Non-Operating Cash Receipts:				
Sale of Notes	19,724			19,724
Other Non-Operating Cash Receipts	7,973			7,973
Total Non-Operating Cash Receipts	<u>27,697</u>	<u>0</u>	<u>0</u>	<u>27,697</u>
Non-Operating Cash Disbursements:				
Debt Service	555,335			555,335
Other Non-Operating Cash Disbursements			14,000	14,000
Total Non-Operating Cash Disbursements	<u>555,335</u>	<u>0</u>	<u>14,000</u>	<u>569,335</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	35,036	(204,511)	11,200	(158,275)
Transfers-In	526,793	204,500		731,293
Transfers-Out	(526,793)			(526,793)
Net Receipts Over/(Under) Disbursements	35,036	(11)	11,200	46,225
Fund Cash Balances, January 1 (Restated - See Note 11)	<u>199,178</u>	<u>54</u>	<u>10,679</u>	<u>209,911</u>
Fund Cash Balances, December 31	<u>\$234,214</u>	<u>\$43</u>	<u>\$21,879</u>	<u>\$256,136</u>
Reserve for Encumbrances, December 31	<u>\$446</u>	<u>\$0</u>	<u>\$0</u>	<u>\$446</u>

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, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Sebring, Mahoning County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. 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. Accounting Basis

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

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

C. Cash and Investments

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

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**VILLAGE OF SEBRING
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

3. Capital Project Funds

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

Capital 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 to recover the significant costs of providing certain goods or services 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 water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

5. Internal Service Fund

This fund accounts for services provided by one department to other departments of the government unit. The Village had the following Internal Service Fund:

Hospitalization Fund – This fund receives insurance premium payments from other funds to pay medical premiums and claims of employees enrolled in the health insurance plan.

6. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village had no private purpose trust funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency funds account for fire damage done to buildings in the community and for possible damage done by contractors doing work within the Village limits.

**VILLAGE OF SEBRING
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(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 Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2005</u>	<u>2004</u>
Demand deposits	\$432,422	\$560,158
Total deposits	<u>432,422</u>	<u>560,158</u>

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

**VILLAGE OF SEBRING
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$1,238,957	\$1,238,957
Special Revenue	0	699,528	699,528
Capital Projects	0	679,741	679,741
Enterprise	0	2,082,777	2,082,777
Internal Service	0	126,573	126,573
Total	<u>\$0</u>	<u>\$4,827,576</u>	<u>\$4,827,576</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,272,842	\$1,351,518	(\$78,676)
Special Revenue	836,988	745,612	91,376
Capital Projects	162,770	699,805	(537,035)
Enterprise	2,031,216	1,920,727	110,489
Internal Service	150,000	226,616	(76,616)
Total	<u>\$4,453,816</u>	<u>\$4,944,278</u>	<u>(\$490,462)</u>

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$1,632,239	\$1,632,239
Special Revenue	0	922,893	922,893
Capital Projects	0	1,245,935	1,245,935
Enterprise	0	2,017,074	2,017,074
Internal Service	0	204,500	204,500
Total	<u>\$0</u>	<u>\$6,022,641</u>	<u>\$6,022,641</u>

**VILLAGE OF SEBRING
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY – (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,302,193	\$1,538,875	(\$236,682)
Special Revenue	1,290,532	1,314,931	(24,399)
Capital Projects	132,500	1,229,308	(1,096,808)
Enterprise	1,941,217	1,982,484	(41,267)
Internal Service	166,000	204,511	(38,511)
Total	\$4,832,442	\$6,270,109	(\$1,437,667)

Contrary to Ohio law, the total amount from all sources available for expenditure was not certified in 2004 and 2005.

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 2004 and 2005.

Contrary to Ohio law, total appropriations exceeded total estimated resources available for expenditure in all funds in 2004 and 2005.

Contrary to Ohio law, expenditures exceeded appropriations for 2005 in the following funds: Capital Improvement, Fire Security and Repair, Contractor's Escrow, and Hospitalization. In 2004 the General, Capital Improvement, Parks and Recreation Capital Improvement, Fire Security and Repair, and the Hospitalization funds had expenditures which exceeded appropriations.

Contrary to Ohio law, the following funds had a negative cash balance at December 31, 2005: Fire Levy Fund and the Hospitalization Fund.

Contrary to Ohio law, transfers were not being made in accordance with statutory requirements.

4. PROPERTY TAX

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

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

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

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

**VILLAGE OF SEBRING
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5 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, 2005 was as follows:

	Principal	Interest Rate
Waterworks System - 1st Mortgage Revenue Bond	\$2,390,000	5.00%
OWDA Waste Water Treatment Plant Loan	\$1,254,143	2.00%
WWTP Phase I Improvement Note	\$110,000	4.48%
Skid Steer & Loader Capital Lease	\$7,894	5.50%
Front-End Loader Capital Lease	\$17,758	5.00%
OPWC Downtown Revitalization (15th St.)	\$374,479	0.00%
OWDA - WWTP Phase II	\$646,847	4.84%
Economic Development TAN (Everett)	\$130,000	3.95%
Fire Equipment & Building Bonds	\$360,000	3.43%
Streetscape Improvement Bonds	\$1,050,000	5.38%
Economic Dev. Revenue Bonds Series 2003B	\$85,056	6.94%
Downtown Economic Revitalization Imp. Bonds 2003B	\$167,153	4.76%
Economic Dev. Revenue Bonds Series 2003A	\$255,169	6.94%
Real Estate Acquisition BAN (Renewal)	\$450,000	5.11%
Street Improvement BAN (Renewal)	\$180,000	5.11%
Variou Purpose BAN, Series 2005 (Renewal)	513,000	4.19%
Total	\$7,991,499	

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, 2005 is \$178,770.

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 (annually payments of \$264,830), including interest of 2%, over 20 years. The scheduled payment amount assumes that \$4,347,746 has been borrowed.

**VILLAGE OF SEBRING
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

6. DEBT - (Continued)

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 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 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 \$4,740, which includes interest of 5.50%. The loan is to be repaid with revenues of the Street Department.

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 Ohio Public Works Commission (OPWC) Loan relates to the 15th Street/Ohio Avenue Repair/Replacement project. This loan was taken out on July 1, 2002 in the amount of \$374,479. The loan is to be repaid in semiannual installments of \$9,362 (annual payments of \$18,724) 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 OWDA Waste Water Treatment Plant Phase II Note relates to improvements to the sewer treatment plant. This note was taken out on October 21, 2002 in the amount of \$678,328. The loan is to be repaid in semiannual installments of \$26,659 (annual payments of \$53,318), including interest of 4.84%, over 20 years. The scheduled payment amount below assumes that \$678,328 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 Economic Development Tax Anticipation Note relates to a business loan given to a local company for improvements to be made to the business' 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%. 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 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.

**VILLAGE OF SEBRING
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

6. DEBT - (Continued)

The Streetscape Improvement Bonds (formerly known as Downtown Economic Revitalization 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 repaid from an additional property tax levy imposed by the Village.

The Downtown Economic Revitalization Improvement Bonds, Series 2003B relate to general parks improvements including the acquisition and renovation of a building known as the Stringray Building. The Bonds were taken out on December 5, 2003, in the amount of \$100,000. The bonds are to be paid in semiannual payments, 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 sources 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 semiannual 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 semiannual 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 all sources other than tax revenue that is available.

The Real Estate Bond Anticipation Notes relate to the acquisition of real estate. The Bond Anticipation Notes were taken out on July 6, 2004 in the amount of \$500,000. The notes are to be paid in annual installments of \$50,000, plus interest of 5.11% over ten years. The Notes are to be paid from the anticipated general revenues of the Village.

The Street Improvement Bond Anticipation Notes relate to paying for part of the cost of street improvements. The Bond Anticipation Notes were taken out on July 6, 2004, in the amount of \$200,000. The notes are to be paid in annual installments of \$20,000, plus interest of 5.11% over ten 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 Various Purpose Bond Anticipation Notes, Series 2005 relates to paying for part of the cost of the economic revitalization improvements to the park and the downtown. This loan was issued on November 10, 2005, and is to be repaid one year from the date of issue in the full amount of \$513,000 plus interest of 4.19%. 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.

**VILLAGE OF SEBRING
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

6. DEBT - (Continued)

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

Year ending December 31:	Waterworks	OWDA Waste	WWTP Phase	Skid Steer &	Front End
	1st Mortgage Rev. Bond	Water Treatment Note	I Improvement Note	Loader Capital Lease	Loader Capital Lease
2006	\$214,500	\$264,830	\$114,928	\$4,736	\$14,205
2007	209,750	264,830	0	3,157	3,551
2008	214,000	264,830	0	0	0
2009	209,800	264,830	0	0	0
2010	214,550	264,830	0	0	0
2011 – 2015	1,057,150	0	0	0	0
2016 – 2020	1,062,050	0	0	0	0
2021 – 2025	420,550	0	0	0	0
Total	\$3,602,350	\$1,324,150	\$114,928	\$7,893	\$17,756

Year ending December 31:	OPWC	OWDA -	Economic	Fire Equipment	Streetscape
	Downtown Revitalization (15th Street)	WWTP Phase II	Development TAN (Everett)	& Building Bonds	Improvement Bonds
2006	\$9,362	\$53,319	\$15,135	\$131,319	\$115,683
2007	18,724	53,319	14,740	127,203	112,455
2008	18,724	53,319	114,345	123,087	109,227
2009	18,724	53,319	0	0	105,999
2010	18,724	53,319	0	0	102,771
2011 – 2015	93,620	266,593	0	0	465,435
2016 – 2020	93,620	266,593	0	0	384,735
2021 – 2025	93,620	186,615	0	0	162,105
2026 – 2030	9,362	0	0	0	0
Total	\$374,480	\$986,396	\$144,220	\$381,609	\$1,558,410

Year ending December 31:	Economic Dev.	Downtown	Economic Dev.	Real Estate	Street
	Revenue Bonds Series 2003B	Economic Revitalization Imp. Bonds 2003B	Revenue Bonds Series 2003B	Acquisition BAN	Improvement BAN
2006	\$14,034	\$25,369	\$42,102	\$72,995	\$29,198
2007	14,034	25,369	42,102	70,440	28,176
2008	14,034	25,369	42,102	67,885	27,154
2009	14,034	25,369	42,102	65,330	26,132
2010	14,034	25,369	42,102	62,775	25,110
2011 – 2015	42,102	76,107	126,306	225,550	90,220
Total	\$112,272	\$202,952	\$336,816	\$564,975	\$225,990

**VILLAGE OF SEBRING
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

6. DEBT - (Continued)

Year ending December 31:	Various Purpose BAN, Series 2005	Total Debt Service
2006	\$534,495	\$1,656,210
2007	0	987,850
2008	0	1,074,076
2009	0	825,639
2010	0	823,584
2011 – 2015	0	2,443,083
2016 – 2020	0	1,806,998
2021 – 2025	0	862,890
2026 – 2030	0	9,362
Total	\$534,495	\$10,489,692

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

7. RETIREMENT SYSTEMS

The Village's full-time police officers belong to the Police and Fire Pension Fund (OP&F). Other employees including law enforcement officers and firefighters belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OP&F participants contributed 10% of their wages. For 2005 and 2004, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2005 and 2004, OPERS members contributed 8.5% of their gross salaries and the Village contributed an amount equaling 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

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, 2005 AND 2004
(Continued)**

8. RISK MANAGEMENT – (Continued)

Self Insurance

The Village is also 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. CONTINGENT LIABILITIES

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

10. SUBSEQUENT EVENTS

The Village issued a bond anticipation note in the amount of \$415,530 on November 12, 2007 with JP Morgan Chase Bank, N.A. at a rate of 4.07% to refinance a previously restructured capital note.

Effective January 1, 2007, the Village Income tax increased to two percent (2%) from the existing 1.5% income tax. This increase was approved by the electors of the Village at the General Election held on November 7, 2006. The additional income tax is for the purpose of public safety, municipal services, capital improvements, acquisition, maintenance, repair and replacement of municipal property and all other municipal operations and obligations permitted by law.

11. PRIOR PERIOD ADJUSTMENT

The year ended December 31, 2003 audited fund balances did not agree to the beginning January 1, 2004 system fund balances. Adjustments were made to correct for errors in the prior audit report. The adjustment for the expendable trust fund reflects the reporting of this fund as a special revenue fund. The following table reflects the adjustments and the corrected January 1, 2004 fund balances:

<u>Fund Type</u>	<u>12/31/03 Fund Cash Balances</u>	<u>Adjustments</u>	<u>01/01/04 Fund Cash Balances</u>
General Fund	\$15,861	\$10,527	\$26,388
Special Revenue Funds	574,578	(22,331)	552,247
Capital Projects Funds	4,879	(59)	4,820
Expendable Trust Fund	337	(337)	0
Enterprise Funds	187,175	12,003	199,178
Agency Funds	10,483	196	10,679

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Mary Taylor, CPA

Auditor of State

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

Village of 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, 2005 and 2004, and have issued our report thereon dated March 4, 2008. 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 a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. 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. A reportable condition is described in the accompanying schedule of findings as item 2005-008.

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 condition described above is a material weakness. In a separate letter to the Village's management dated March 4, 2008, 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 2005-001 through 2005-007. In a separate letter to the Village's management dated March 4, 2008, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management and Village Council. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

March 4, 2008

**VILLAGE OF SEBRING
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-001

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.

- 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 2004 or 2005. This occurred in 22 of the 25 expenditures tested for 2004 and 26 out of the 28 expenditures tested in 2005. 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.

**FINDING NUMBER 2005-001
(Continued)**

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.

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.

Officials' Response:

The Village of Sebring administration acknowledges that during the time of the audit period, purchase orders were not always secured prior to making purchases. The timeliness of securing purchase orders prior to making purchases has since been addressed by the administration.

FINDING NUMBER 2005-002

Noncompliance Citation

Ohio Revised Code Section 5705.36 (A)(1) states that on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget or, if adoption of a tax budget was waived under section 5705.281 of the Revised Code, from each fund created by or on behalf of the taxing authority.

The Village did not certify the total amount from all sources available for expenditure for 2004 and 2005.

We recommend that the Village submit this information to the county auditor so as to be aware of the total amount available for expenditure.

Officials' Response:

The Certificates of Estimated Resources are now submitted on an annual basis in compliance with O.R.C. section 5705.36 (A)(1).

FINDING NUMBER 2005-003

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 had bond issues outstanding during the audit period requiring them to file specific financial information as noted above. 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 for the years 2004 and 2005.

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

Officials' Response:

The administration was not apprised of its obligation to make annual reports to Nationally Recognized Municipal Security Information Repositories and the State Information Depository on previously issued and outstanding bonds held by the Village of Sebring. The Village will remit the required information as noted.

FINDING NUMBER 2005-004

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:

<u>Fund</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Variance</u>
2004			
100 General	\$1,302,193	\$ 18,245	\$(1,283,948)
Special Revenue Funds			
130 Brownfield Grant	154,426	0	(154,426)
201 Street Maintenance and Repair	232,311	49,113	(183,198)
202 Recreation	65,700	3,405	(62,295)
204 Civic Center	61,100	296	(60,804)
205 Income Tax	74,460	16,318	(58,142)
206 Motor Vehicle License	41,100	10,405	(30,396)
301 Fire Levy	599,245	428,242	(171,003)
709 Pool	39,990	1,014	(38,976)

**FINDING NUMBER 2005-004
(Continued)**

Capital Projects Fund

401 Capital Improvement	132,500	4,820	(127,680)
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Enterprise Funds

701 Waterworks System	710,861	800	(710,061)
702 Water 1 st Mortgage	214,100	0	(214,100)
705 Water Extension Line	12,210	3,468	(8,742)
706 Sewer	739,216	916	(738,300)
707 Sewer 1 st Mortgage	264,830	0	(264,830)

Expendable Trust Fund

801 Police Pension	13,700	141	(13,559)
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Internal Service Fund

901 Hospitalization	166,000	0	(166,000)
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2005

100 General	\$1,272,842	\$ 119,752	\$(1,153,090)
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Special Revenue Funds

130 Brownfield Grant	154,426	(5,491)	(159,917)
201 Street Maintenance and Repair	193,614	17,654	(175,960)
202 Recreation	66,750	17,990	(48,760)
204 Civic Center	53,700	36	(53,664)
205 Income Tax	70,920	13,503	(57,417)
206 Motor Vehicle License	41,100	10,405	(30,396)
301 Fire Levy	152,848	18,407	(134,441)
709 Pool	35,530	5,509	(30,021)

Capital Projects Fund

401 Capital Improvement	162,770	21,447	(141,323)
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Enterprise Funds

701 Waterworks System	767,896	1,360	(766,536)
702 Water 1 st Mortgage	209,800	0	(209,800)
705 Water Extension Line	12,210	7,109	(5,101)
706 Sewer	776,480	23,780	(752,700)
707 Sewer 1 st Mortgage	264,830	0	(264,830)

Expendable Trust Fund

801 Police Pension	13,700	33	(13,667)
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Internal Service Fund

901 Hospitalization	150,000	43	(149,957)
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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.

**FINDING NUMBER 2005-004
 (Continued)**

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.

Officials' Response:

The lack of estimated resources available to accommodate the annual appropriations is a function of the non-submittal of the Certificate of Estimated Resources for 2004 and 2005. The non-submittal of the Certificate of Estimated Resources has been identified by the Village and is now submitted in compliance with the O.R.C.

FINDING NUMBER 2005-005

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, 2004 and 2005 respectively:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
2004			
100 General	\$1,302,193	\$1,538,875	\$(236,682)
Capital Projects Fund			
401 Capital Improvement	132,500	161,375	(28,875)
710 Parks and Recreation Capital Improvement	0	113,406	(113,406)
Agency Funds			
802 Fire Security and Repair	0	14,000	(14,000)
Internal Service Fund			
901 Hospitalization	166,000	204,511	(38,511)
2005			
Capital Projects Fund			
401 Capital Improvement	162,770	186,805	(24,035)
Agency Funds			
802 Fire Security and Repair	0	4,600	(4,600)
804 Contractor's Escrow	0	10,434	(10,434)
Internal Service Fund			
901 Hospitalization	150,000	226,615	(76,615)

**FINDING NUMBER 2005-005
(Continued)**

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. In addition, we also recommend the Village Manager review and amend appropriations when it is determined that expenditures will exceed appropriations.

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.

Officials' Response:

When necessary, the village will file amended certificates of estimated resources and appropriations as needed to ensure disbursements are within the amounts legally appropriated. The administration will deny any and all expenditures that exceed appropriations.

FINDING NUMBER 2005-006

Noncompliance Citation

Ohio Revised Code Section 5705.10 (H) 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 for the year ended December 31, 2005:

<u>Funds</u>	<u>Negative Fund Balance</u>
301 – Fire Levy	\$ (54,020)
901 – Hospitalization	(100,000)

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.

Officials' Response:

The village recognizes the adverse effects of carrying negative fund balances and strives to eliminate such balances in accordance with O.R.C. section 5705.10.

FINDING NUMBER 2005-007

Noncompliance Citation - Finding for Adjustment

Ohio Revised Code § 5705.14, § 5705.15 and § 5705.16 provide that no transfer can be made from one fund of a subdivision to any other fund, except as follows:

- (A) The unexpended balance in a bond fund that is no longer needed for the purpose for which such fund was created shall be transferred to the sinking fund or bond retirement fund from which such bonds are payable.

FINDING NUMBER 2005-007
(Continued)

- (B) The unexpended balance in any specific permanent improvement fund, other than a bond fund, after the payment of all obligations incurred in the acquisition of such improvement, shall be transferred to the sinking fund or bond retirement fund of the subdivision; provided that if such money is not required to meet the obligations payable from such funds, it may be transferred to a special fund for the acquisition of permanent improvements, or, with the approval of the court of common pleas of the county in which such subdivision is located, to the general fund of the subdivision.
- (C) The unexpended balance in the sinking fund or bond retirement fund of a subdivision, after all indebtedness, interest, and other obligations for the payment of which such fund exists have been paid and retired, shall be transferred, in the case of the sinking fund, to the bond retirement fund, and in the case of the bond retirement fund, to the sinking fund; provided that if such transfer is impossible by reason of the nonexistence of the fund to receive the transfer, such unexpended balance may be transferred to any other fund of the subdivision with the approval of the court of common pleas of the county in which such division is located.
- (D) The unexpended balance in any special fund, other than an improvement fund, existing in accordance with division (D), (F), or (G) of section 5705.09 or section 5705.12 of the Revised Code, may be transferred to the general fund or to the sinking fund or bond retirement fund after the termination of the activity, service, or other undertaking for which such special fund existed, but only after the payment of all obligations incurred and payable from such special fund.
- (E) Money may be transferred from the general fund to any other fund of the subdivision.
- (F) Moneys retained or received by a county under section 4501.04 (auto registration distribution fund), or division (A)(3) of section 5735.27 (gasoline excise tax fund) of the Revised Code may be transferred from the fund into which they were deposited to the sinking fund or bond retirement fund from which any principal, interest, or charges for which such moneys may be used is payable.
- (G) Moneys retained or received by a municipal corporation under section 4501.04 (motor vehicle license tax), or division (A)(1) or (2) of section 5735.27 (motor vehicle fuel excise taxes) of the Revised Code may be transferred from the fund into which they were deposited to the sinking fund or bond retirement fund from which any principal, interest, or charges for which such moneys may be used is payable.
- (H) (1) Money may be transferred from the county mental retardation and developmental disabilities general fund to the county mental retardation and developmental disabilities capital fund established under section 5705.091 of the Revised Code or to any other fund created for the purposes of the county board of mental retardation and developmental disabilities, so long as money in the fund to which the money is transferred can be spent for the particular purpose of the transferred money. The county board of mental retardation and developmental disabilities may request, by resolution, that the board of county commissioners make the transfer. The county board of mental retardation and developmental disabilities shall transmit a certified copy of the resolution to the board of county commissioners. Upon receiving the resolution, the board of county commissioners may make the transfer. Money transferred to a fund shall be credited to an account appropriate to its particular purpose.

**FINDING NUMBER 2005-007
(Continued)**

(2) An unexpended balance in an account in the county mental retardation and developmental disabilities capital fund or any other fund created for the purposes of the county board of mental retardation and developmental disabilities may be transferred back to the county mental retardation and developmental disabilities general fund. The transfer may be made if the unexpended balance is no longer needed for its particular purpose and all outstanding obligations have been paid. Money transferred back to the county mental retardation and developmental disabilities general fund shall be credited to an account for current expenses within that fund. The county board of mental retardation and developmental disabilities may request, by resolution, that the board of county commissioners make the transfer. The county board of mental retardation and developmental disabilities shall transmit a certified copy of the resolution to the board of county commissioners. Upon receiving the resolution, the board of county commissioners may make the transfer.

Except in the case of transfers from the general fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. Transfers from the general fund require a resolution passed by a simple majority of the board members (i.e., a two thirds vote is not required for general fund transfers though a resolution is required).

In addition to the transfers listed above, which are authorized in Ohio Revised Code Section 5705.14, the taxing authority of any political subdivision, with the approval of the Tax Commissioner and of the Court of Common Pleas, may transfer from one fund to another any public funds under its supervision, except the proceeds or balances of:

- loans,
- bond issues,
- special levies for the payment of loans or bond issues,
- the proceeds or balances of funds derived from any excise tax levied by law for a specified purpose, and
- the proceeds or balances of any license fees imposed by law for a specified purpose.

The Village processed 6 of its 27 transfers in 2004 without specific resolutions being passed by Council authorizing such transactions. This could lead to funds being used for unauthorized or illegal purposes.

Of the 27 transfers made in 2004, 25 were not in accordance with the above requirements. Of the 20 transfers made in 2005, 18 were not in accordance with the above requirements. In 17 of the aforementioned transfers made in 2004 and all of the transfers made in 2005 not in accordance with the above requirements, we noted that the monies transferred were utilized for a purpose related to the operations of the transferring fund.

**FINDING NUMBER 2005-007
 (Continued)**

We noted the following 8 transfers in 2004 that were not made in accordance with the aforementioned requirements and were not utilized for a purpose related to the operations of the transferring fund:

<u>Transfers Out</u>				<u>Transfers In</u>		
<u>Date</u>	<u>Fund</u>	<u>Fund Description</u>	<u>Amount</u>	<u>Fund</u>	<u>Fund Description</u>	<u>Amount</u>
12/30/2004	202-3010-52710	Recreation	22,000.00	204-0000-41910	Community Center	22,000.00
4/2/2004	202-9010-52711	Recreation	12,000.00	204-0000-41910	Community Center	12,000.00
2/2/2004	205-9010-52710	Income Tax	7,200.00	204-0000-41910	Community Center	7,200.00
2/2/2004	205-9010-52713	Income Tax	400.00	709-0000-41910	Pool	400.00
2/2/2004	205-9010-52719	Income Tax Special Project	23,000.00	901-0000-41910	Hospitalization	23,000.00
12/30/2004	207-9010-52710	Grant Capital	9,503.76	100-0000-41910	General	9,503.76
7/1/2004	401-9010-52713	Improvement Capital	50,000.00	100-0000-41910	General	50,000.00
8/25/2004	401-9010-52713	Improvement	40,000.00	100-0000-41910	General	40,000.00
Totals:			<u>\$164,103.76</u>			<u>\$164,103.76</u>

In accordance with the foregoing facts, we hereby issue findings for adjustment as follows:

Community Center fund (204), and in favor of the Recreation fund (202), in the amount of \$34,000;
 Community Center fund (204), and in favor of the Income Tax fund (205), in the amount of \$7,200;
 Pool fund (709), and in favor of the Income Tax fund (205), in the amount of \$400;
 Hospitalization fund (901), and in favor of the Income Tax fund (205), in the amount of \$23,000;
 General fund (100), and in favor of the Special Project Grant fund (207), in the amount of \$9,503.76;
 General fund (100), and in favor of the Capital Improvement fund (401), in the amount of \$90,000.

Unauthorized transfers could result in the expenditure of public funds not for their specified purpose.

We recommend that individual transfers be approved by resolution of Council to ensure that funds are being used for authorized and legal purposes. We also recommend the Village transfer all public funds according to the provisions set forth in Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2005-008

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.

**FINDING NUMBER 2005-008
(Continued)**

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.

Officials' Response:

The Village Council has taken a more active role in the financial operations of the Village since the time period covered by this audit. Village Council is provided with detailed expense and revenue reports on a monthly basis, a monthly statement of cash position, a report on monthly income tax collections and projections, reports on debt service and a detailed list of checks paid. Village Council makes inquiries into the need for and reasoning behind individual bills and is provided any and all financial information at their request.

**VILLAGE OF SEBRING
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Ohio Revised Code 5705.14, the Village made transfers without resolutions by Council approving them.	No	Re-issued as finding number 2005-007.
2003-002	Ohio Revised Code 5705.41(D), the Village did not always certify funds prior to making purchases.	No	Re-issued as finding number 2005-001.
2003-003	17 CFR Section 240.15c2-12, the Village failed to submit annual information to the NRMSIRs or the State Information Depository.	No	Re-issued as finding number 2005-003.
2003-004	Village's Codified Ordinance Section 127.02, the Village did not have two authorized signatures on its checks.	Yes	
2003-005	Ohio Revised Code 5705.36 (A) (4), the Village had several funds in which estimated receipts exceeded actual receipts and they did not obtain a reduced amended certificate.	No	The Village did not certify any estimated resources and was issued finding number 2005-002.
2003-006	Ohio Revised Code 5705.39, the Village had several funds in which appropriations exceeded estimated resources.	No	Re-issued as finding number 2005-004.
2003-007	Ohio Revised Code 5705.41 (B), the Village had several funds in which expenditures exceeded appropriations.	No	Re-issued as finding number 2005-005.
2003-008	Ohio Revised Code Section 5705.10, the Village had several funds which had negative fund balances throughout 2002 and 2003.	No	Re-issued as finding number 2005-006.
2003-009	Reportable Condition – there are a number of reports available on the Village's computer system that are not being provided to Council to allow them to monitor financial activity.	No	Re-issued as finding number 2005-007.



Mary Taylor, CPA
Auditor of State

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 15, 2008**