

**VILLAGE OF SABINA  
CLINTON COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS  
(AUDITED)***

**FOR THE YEARS ENDED DECEMBER  
31, 2016 AND 2015**

**NANCY CORNELL, FISCAL OFFICER**





# Dave Yost • Auditor of State

Village Council  
Village of Sabina  
99 N. Howard Street  
Sabina, Ohio 45169

We have reviewed the *Independent Auditor's Report* of the Village of Sabina, Clinton County, prepared by Lindholm + Company, for the audit period January 1, 2015 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Sabina is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

January 11, 2018

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VILLAGE OF SABINA  
CLINTON COUNTY

TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) All Governmental Fund Types For the Year Ended December 31, 2016 .....	3
Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) All Proprietary and Fiduciary Fund Types For the Year Ended December 31, 2016 .....	4
Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) All Governmental Fund Types For the Year Ended December 31, 2015 .....	5
Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) All Proprietary and Fiduciary Fund Types For the Year Ended December 31, 2015 .....	6
Notes to the Basic Financial Statements.....	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings .....	17
Schedule of Prior Audit Findings .....	20

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*Independent Auditor's Report*

Village of Sabina  
Clinton County  
99 N. Howard Street  
Sabina, Ohio 45169

To the Village Council:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Village of Sabina, Clermont County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

As described in Note 2 of the financial statements, the financial statements are prepared by Village of Sabina on the basis of accounting practices prescribed or permitted by Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in *the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Village as of December 31, 2016 and 2015, or changes in financial position or cash flows thereof for the year then ended.

***Adverse Opinion on Regulatory Basis of Accounting***

Ohio Rev. Code Section 5705.10 requires that monies paid into a fund should only be used for the purpose for which such a fund is established. The Village did not maintain appropriate supporting documentation for insurance payments from other Village funds. In addition, the Village had Findings for Adjustments from prior audits that have not been adjusted. The Village has not posted adjustments to their accompanying financial statements or accounting records.

***Opinion on Regulatory Basis of Accounting***

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the financial statements referred to above do not present fairly, the combined cash balances of the Village of Sabina, Clinton County as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2017 on our consideration of Village of Sabina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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* in considering Village of Sabina's internal control over financial reporting and compliance.

LINDHOLM + COMPANY

Worthington, Ohio

July 15, 2017



**VILLAGE OF SABINA  
CLINTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 55,139	\$ 17,180	\$ -	\$ 72,319
Municipal Income Tax	301,371	-	-	301,371
Intergovernmental	55,334	117,849	4,585	177,768
Special Assessments	2,259	-	-	2,259
Charges for Services	5,450	-	-	5,450
Fines, Licenses and Permits	17,020	1,192	-	18,212
Earnings on Investments	1,891	115	-	2,006
Miscellaneous	7,844	3,734	-	11,578
<i>Total Cash Receipts</i>	<u>446,308</u>	<u>140,070</u>	<u>4,585</u>	<u>590,963</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	283,666	34,427	-	318,093
Public Health Services	514	-	-	514
Leisure Time Activities	1,396	-	-	1,396
Transportation	-	69,278	-	69,278
General Government	221,840	620	-	222,460
Capital Outlay	-	1,980	-	1,980
<i>Total Cash Disbursements</i>	<u>507,416</u>	<u>106,305</u>	<u>-</u>	<u>613,721</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(61,108)</u>	<u>33,765</u>	<u>4,585</u>	<u>(22,758)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	-	5,000	-	5,000
Transfers Out	(5,000)	-	-	(5,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(5,000)</u>	<u>5,000</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	<u>(66,108)</u>	<u>38,765</u>	<u>4,585</u>	<u>(22,758)</u>
<i>Fund Cash Balances, January 1</i>	<u>69,344</u>	<u>272,644</u>	<u>-</u>	<u>341,988</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	3,288	-	-	3,288
Restricted	-	311,409	4,585	315,994
Committed	-	-	-	-
Assigned	4,895	-	-	4,895
Unassigned (Deficit)	(4,947)	-	-	(4,947)
<i>Fund Cash Balances, December 31</i>	<u>\$ 3,236</u>	<u>\$ 311,409</u>	<u>\$ 4,585</u>	<u>\$ 319,230</u>

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

**VILLAGE OF SABINA  
CLINTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Proprietary Fund Types		Totals	
	Enterprise		(Memorandum Only)	
<b>Operating Cash Receipts</b>				
Charges for Services	\$	984,284	\$	984,284
Miscellaneous		2		2
<i>Total Operating Cash Receipts</i>		<u>984,286</u>		<u>984,286</u>
<b>Operating Cash Disbursements</b>				
Personal Services		170,612		170,612
Employee Fringe Benefits		96,225		96,225
Contractual Services		159,196		159,196
Supplies and Materials		73,460		73,460
Other		71,828		71,828
<i>Total Operating Cash Disbursements</i>		<u>571,321</u>		<u>571,321</u>
<i>Operating Income (Loss)</i>		<u>412,965</u>		<u>412,965</u>
<b>Non-Operating Receipts (Disbursements)</b>				
Special Assessments		4,673		4,673
Miscellaneous Receipts		16,151		16,151
Capital Outlay		(9,883)		(9,883)
Principal Retirement		(102,473)		(102,473)
Interest and Other Fiscal Charges		(33,648)		(33,648)
<i>Total Non-Operating Receipts (Disbursements)</i>		<u>(125,180)</u>		<u>(125,180)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>		287,785		287,785
Transfers Out		(10)		(10)
<i>Net Change in Fund Cash Balances</i>		287,775		287,775
<i>Fund Cash Balances, January 1</i>		<u>1,325,139</u>		<u>1,325,139</u>
<i>Fund Cash Balances, December 31</i>	<u>\$</u>	<u>1,612,914</u>	<u>\$</u>	<u>1,612,914</u>

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

**VILLAGE OF SABINA  
CLINTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 56,643	\$ 18,003	\$ -	\$ 74,646
Municipal Income Tax	266,148	-	-	266,148
Intergovernmental	58,806	177,207	42,304	278,317
Special Assessments	1,117	-	-	1,117
Charges for Services	521	-	-	521
Fines, Licenses and Permits	15,127	2,064	-	17,191
Earnings on Investments	1,532	93	-	1,625
Miscellaneous	12,762	24,921	-	37,683
<i>Total Cash Receipts</i>	<u>412,656</u>	<u>222,288</u>	<u>42,304</u>	<u>677,248</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	323,346	36,891	-	360,237
Public Health Services	642	-	-	642
Leisure Time Activities	2,371	-	-	2,371
Community Environment	7,889	-	-	7,889
Transportation	1,528	113,882	-	115,410
General Government	238,443	589	-	239,032
Capital Outlay	-	70,986	42,304	113,290
<i>Total Cash Disbursements</i>	<u>574,219</u>	<u>222,348</u>	<u>42,304</u>	<u>838,871</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(161,563)</u>	<u>(60)</u>	<u>-</u>	<u>(161,623)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers Out	(20)	-	-	(20)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(20)</u>	<u>-</u>	<u>-</u>	<u>(20)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(161,583)</u>	<u>(60)</u>	<u>-</u>	<u>(161,643)</u>
<i>Fund Cash Balances, January 1</i>	<u>230,927</u>	<u>272,704</u>	<u>-</u>	<u>503,631</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	3,258	-	-	3,258
Restricted	-	272,644	-	272,644
Committed	-	-	-	-
Assigned	4,323	-	-	4,323
Unassigned (Deficit)	61,763	-	-	61,763
<i>Fund Cash Balances, December 31</i>	<u>\$ 69,344</u>	<u>\$ 272,644</u>	<u>\$ -</u>	<u>\$ 341,988</u>

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

**VILLAGE OF SABINA  
CLINTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund Types	Totals
	Enterprise	(Memorandum Only)
<b>Operating Cash Receipts</b>		
Charges for Services	\$ 983,490	\$ 983,490
Miscellaneous	449	449
<i>Total Operating Cash Receipts</i>	<u>983,939</u>	<u>983,939</u>
<b>Operating Cash Disbursements</b>		
Personal Services	168,866	168,866
Employee Fringe Benefits	92,067	92,067
Contractual Services	193,700	193,700
Supplies and Materials	68,902	68,902
Other	56,885	56,885
<i>Total Operating Cash Disbursements</i>	<u>580,420</u>	<u>580,420</u>
<i>Operating Income (Loss)</i>	<u>403,519</u>	<u>403,519</u>
<b>Non-Operating Receipts (Disbursements)</b>		
Special Assessments	3,796	3,796
Miscellaneous Receipts	4,440	4,440
Capital Outlay	(2,476)	(2,476)
Principal Retirement	(266,827)	(266,827)
Interest and Other Fiscal Charges	(44,146)	(44,146)
Other Financing Sources	20,000	20,000
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(285,213)</u>	<u>(285,213)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	118,306	118,306
Transfers Out	(47)	(47)
<i>Net Change in Fund Cash Balances</i>	118,259	118,259
<i>Fund Cash Balances, January 1</i>	<u>1,206,880</u>	<u>1,206,880</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,325,139</u>	<u>\$ 1,325,139</u>

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

**VILLAGE OF SABINA  
CLINTON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**Note 1 - Reporting Entity**

***Description of Entity***

The Village of Sabina, Clinton County, Ohio, is a body politic and corporate 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 elected at large for four-year terms. The Mayor is elected to a four-year term, and votes only to break a tie.

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services.

***Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations***

The Village participates in one jointly governed organization. This organization is: Jointly

Governed Organization:

The SRWW #2 Joint Fire District, is a jointly governed organization, which provides fire protection and rescue services to the Village of Sabina to the Village of Sabina, Richland Township, Wayne Township, and Wilson Township. Each of the four political subdivisions appoints one member of the four-member board of trustees. This Board owns and operates assets in its own name. The Board has authority to levy taxes and approve its own budget. Funding for operations comes from the participants in the District, charge for services and a tax levy.

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

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund:*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

***Street Construction Maintenance and Repair*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

**VILLAGE OF SABINA  
CLINTON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Police Pension** The fund receives revenue from employer match at a rate of 19.5% of Law Enforcement wages for pension.

**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 Funds.

**OPWC Street Reconstruction and Paving Project #CJ04S** This fund received a grant from the Ohio Public Works Commission to finance improvements.

**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 Fund** The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

**Sewer Fund** The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

**Fiduciary Funds** Fiduciary funds include private purpose trust funds and agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village agency fund is for Unclaimed Monies.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

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

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

**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 re-appropriated.

**VILLAGE OF SABINA  
CLINTON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

A summary of 2016 and 2015 budgetary activity appears in Note 3.

***Deposits and Investments*** *Deposits and Investments*

The Village's accounting basis includes investments as assets. The 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.

***Capital Assets***

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

***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.

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

***Nonspendable*** The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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

***Committed*** Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

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

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

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

**VILLAGE OF SABINA  
CLINTON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

**Note 3 - Budgetary Activity**

Budgetary activity for the years ending December 31, 2016 and 2015 follows:

<u>2016 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$510,407	\$446,308	(\$64,099)
Special Revenue	118,271	140,070	21,799
Capital Project	4,585	4,585	0
Enterprise	948,316	1,005,110	56,794
Total	<u>\$1,581,579</u>	<u>\$1,596,073</u>	<u>\$14,584</u>

<u>2016 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$539,074	\$512,416	\$26,658
Special Revenue	149,058	106,305	42,753
Capital Project	4,585	0	4,585
Enterprise	1,072,157	717,325	354,832
Total	<u>\$1,764,874</u>	<u>\$1,336,046</u>	<u>\$428,828</u>

<u>2015 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$394,022	\$412,656	\$ 18,634
Special Revenue	205,414	222,288	16,874
Capital Project	51,922	42,304	(9,618)
Enterprise	847,602	1,012,175	164,573
Total	<u>\$1,498,960</u>	<u>\$1,689,423</u>	<u>\$ 190,463</u>

<u>2015 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$597,101	\$574,239	\$22,862
Special Revenue	463,188	222,348	240,840
Capital Project	42,304	42,304	0
Enterprise	2,266,499	893,869	1,372,630
Total	<u>\$3,369,092</u>	<u>\$1,732,760</u>	<u>\$1,636,332</u>



**VILLAGE OF SABINA  
CLINTON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

**Note 4 – Deposits and Investments**

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

	2016	2015
Demand deposits	\$ 711,787	\$ 447,918
Other time deposits (savings and NOW accounts)	400,000	400,000
Total deposits	1,111,787	847,918
 Money Market Sweep Account	 820,357	 819,209
Total investments	820,357	819,209
Total deposits and investments	\$ 1,932,144	\$ 1,667,127

***Deposits***

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

***Investments***

The Village maintains a sweep account, which is in an uninsured and unregistered investment for which securities are held by the counter party or its department or agent, but not in the Villages name.

**Note 5 – Taxes**

***Property Taxes***

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.

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

***Income Taxes***

The Village levies a municipal income tax of 1% 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 SABINA  
CLINTON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

**Note 6 – Risk Management**

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

The Government insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2015 and 2016.

	2016	2015
Assets	\$ 42,182,281	\$ 38,307,677
Liabilities	(13,396,700)	(12,579,127)
Net Position	\$ 28,875,581	\$ 25,548,550

At December 31, 2016, the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool’s membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Government’s share of these unpaid claims collectible in future years is approximately \$15,000.

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

2016 Contributions to PEP	\$ 29,982
2015 Contributions to PEP	\$ 28,635

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

**VILLAGE OF SABINA  
CLINTON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates for OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2016</i>	<i>10%</i>	<i>14%</i>

***Ohio Police and Fire Retirement System***

Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages.

The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages, respectively. The Village has paid all contributions required through December 31, 2016.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OP&amp;F- full time police</i>	<i>July 1, 2014- June 30, 2015</i>	<i>11.5%</i>	<i>19.5%</i>
<i>OP&amp;F- full time police</i>	<i>July 1, 2015- December 31, 2016</i>	<i>12.25%</i>	<i>19.5%</i>

***Social Security***

The Village's Council Members and Mayor contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**Note 8 - Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

**VILLAGE OF SABINA  
CLINTON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

**Note 9 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
OPWC Sewer Loan #CT46M 20yrs	\$309,560	0%
OPWC Sewer Debt #CJ02N 20yrs	\$159,087	0%
OWDA WWTP Loan #6240 20yrs	\$2,147,314	1%
OWDA Water Project #6491 30yrs	\$306,560	3%
Total	\$2,922,521	

The Ohio Public Works Commission (OPWC) loan relates to a sewer plant expansion project. The OPWC disbursed \$426,979 to the Village for this project at 0% interest. The Village is to repay the loan in semi-annual installments of \$10,674 over 20 years.

The Ohio Water Development Authority (OWDA – 6240) loan was approved in 2012 and relates to the improvements for its wastewater treatment plant. In 2012 the project expenditure should have been \$1,601,337 during 2013 an additional \$874,879 was added to the OWDA – 6240. The Village is to repay the loan is semiannual installment; the amortization schedule was not yet available from OWDA including interest, over 20 years.

The Village entered into a loan (CJ02N) with OPWC in 2010 for Phase II of the wastewater system improvements – Park and Rose Avenue. The loan is in the amount of \$187,161 at 0% interest. The loan was fully disbursed at December 31, 2013; however, the construction is not complete and repayment has not yet been initialized by the OPWC. The Village is to repay the loan in semiannual installments of \$4,679.03 over 20 years.

The Village entered into a loan agreement with Ohio Water Development Authority January 2014 in the amount of \$335,000 at an interest rate of 2.99% for 30 years. The project was a Waterline Replacement for North Howard Street. The total funds in the amount of \$327,812.71 were fully disbursed and the loan closed on July 15, 2015.

***Amortization***

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

Year ending December 31:	OPWC CT46M	ODWA 6240	QPWC CJ02N	OWDA 6491
2017	\$21,349	\$161,744	\$9,358	\$8,496
2018	\$21,349	\$161,744	\$9,358	\$8,496
2019	\$21,349	\$161,744	\$9,358	\$8,496
2020	\$21,349	\$161,744	\$9,358	\$8,496
2021-2026	\$106,745	\$808,722	\$46,790	\$42,480
2027-2031	\$106,745	\$808,722	\$46,790	\$42,480
Total	\$298,886	\$2,264,420	\$131,012	\$118,944

**Note 10 – Prior Period Adjustment**

The December 31, 2014 fund balances reported in the General Fund and the Enterprise Fund, have been restated. The restatement was necessary as the purchase of the maintenance building was coded to the incorrect account, which resulted in the General Fund balance understated by \$45,000 and the Enterprise Fund balance overstated by \$45,000. A summary of the restatement activity at December 31, 2014 is as follows:

	General Fund	Enterprise Fund
Fund Balance as Previously Reported	\$ 185,927	\$ 1,251,880
Prior Period Adjustment	45,000	(45,000)
Fund Balance, Restated	\$ 230,927	\$ 1,206,880



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

Village of Sabina  
Clinton County  
99 N. Howard Street  
Sabina, Ohio 45169

To the Village Council:

We have audited, 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, the financial statements of the Village of Sabina, Clinton County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated July 15, 2017 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Village of Sabina's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Village of Sabina's internal control. Accordingly, we do not express an opinion on the effectiveness of Village of Sabina's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency 2016-001 and deficiency 2016-002 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency 2016-003 described in the accompanying schedule of findings to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under Government Auditing Standards.

### **Village of Sabina's Response to Findings**

Village of Sabina's response to the findings identified in our audit are described in the accompanying schedule of findings. Village of Sabina's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

LINDHOLM + COMPANY

Worthington, Ohio

July 15, 2017

VILLAGE OF SABINA  
CLINTON COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015

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

**FINDING NUMBER 2016-001**

**Material Weakness**

**Ohio Rev. Code, §5705.10**, provides that money paid into a fund shall be used only for the purpose for which such a fund is established.

*Payroll Allocation*

Employee time should be carefully documented and verified as eligible for payment from the fund from which it is paid. If circumstances are such that it is impossible to prorate employee time, then their compensation should be paid from the General Fund. Failure to adequately document time could result in a restricted fund paying for work that is not for the purpose for which the fund was established.

During the 2013 and 2014 audit, the Auditor of State issued a finding for adjustment against the General Fund in the amount of \$81,355, and in favor of the Police Disability & Pension Fund in the amount of \$2,179; Pool Fund in the amount of \$5,685; Street Fund in the amount of \$6,957; the Water fund in the amount of \$43,861; and the Sewer Fund in the amount of \$22,673.

The Village did not make adjustments to their accounting system or financial statements and we have modified our audit opinion.

*Insurance Allocation*

During the 2013 and 2014 audit, the Auditor of State issued a finding for adjustment against the General Fund for the total amount of \$95,195; and in favor of the Street Fund in the amount of \$8,576; the Water fund in the amount of \$45,312; and the Sewer Fund in the amount of \$41,307. The Village did not make adjustments to their accounting system or financial statements and we have modified our audit opinion.

We recommend that the Village book the adjustments when the General Fund has funds to cover the findings for adjustments.

**FINDING NUMBER 2016-002**

**Material Weakness**

Governments are required to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

We noted the following conditions related to the Village's accounting system:

- Receipts were incorrectly posted as sale of notes instead of other financing sources in the Enterprise Fund in the amount of \$20,000 in 2015.
- Debt payments were incorrectly posted in 2015 that related to 2014 debt payments.

The Village corrected the financial statements and accounting records, where appropriate.

Failure to accurately post and report transactions could result in material errors in the Village's financial statements and reduces the Village's ability to monitor financial activity and to make sound decisions which effect the overall available cash positions of the Village.

We recommend that the Village accurately record financial transactions.

## FINDING NUMBER 2016-003

### Significant Deficiency

**The Governmental Accounting Standards Board (GASB) Statement No. 54**, Fund Balance Reporting and Governmental Fund Type Definitions, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned.

**Nonspendable Fund Balance-** The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

**Restricted Fund Balance-** The restricted classification is used when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments (i.e., State Statutes); or (b) imposed by law through constitutional provisions (City Charter) or enabling legislation.

**Committed Fund Balance-** The committed fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority.

**Assigned Fund Balance-** Assigned fund balance includes amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.

**Unassigned Fund Balance-** Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Auditor of State Bulletin 2011-004 clarifies the impact of GASB 54 on Ohio governmental units and provides the following guidance on implementation:

- *For unclaimed monies*, the entire cash balance should be reported in the General fund and the fund balance should be classified as nonspendable.
- Encumbrances outstanding at year end should be classified as an assigned fund balance in the General fund.

The Village had unclaimed money at December 31, 2016 and 2015 of \$3,288 and \$3,258 respectively, and did not report these amount as a nonspendable fund the balance in the General fund. Also, the Village had General fund encumbrances outstanding at December 31, 2016 and 2015 of \$4,895 and \$4,323 respectively, and these amounts were classified as unassigned General fund balance rather than assigned fund balance.

We recommend that the Village review the GASB 54 statement and guidance and adopt the required fund balance policies. The policy should define whether the auditee considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. The Village should also present funds in accordance with the standards when preparing the financial statements.

### Officials’ Response:

The officials did not respond to this finding.



**VILLAGE OF SABINA  
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	Appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure.	Yes	
2014-002	Provides that money paid into a fund shall be used only for the purpose for which such a fund is established.	No	Repeated as 2016-001
2014-003	Governments are required to maintain an accounting system and accounting records.	No	Repeated as 2016-002
2014-004	Fund Balance Reporting and Governmental Fund Type Definitions, introduces five fund balance classifications and clarifies the existing governmental fund type definitions	No	Repeated as 2016-003
2014-005	Finding for recovery for drug buy monies.	Yes	

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# Dave Yost • Auditor of State

VILLAGE OF SABINA

CLINTON 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  
JANUARY 23, 2018