



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF SABINA
CLINTON COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Village of Sabina
Clinton County
99 North Howard Street
Sabina, Ohio 45169

To the Village Council:

We have audited the accompanying financial statements of the Village of Sabina, Clinton County, Ohio (the Village), as of and for the years ended December 31, 2000 and 1999. 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.

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

The Village did not provide sufficient documentation supporting the water and sewer fund receipts as recorded in the Enterprise Fund. Without this evidential matter, we were unable to obtain sufficient information regarding the receipts recorded for the Enterprise Fund or to satisfy ourselves regarding the validity of the underlying transactions through other auditing procedures. Water and sewer fund receipts represent 96% of the Enterprise Fund type receipts.

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

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine the Village's water and sewer fund receipts records, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2001, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

July 25, 2001

**VILLAGE OF SABINA
CLINTON COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$127,232	\$0	\$20,153	\$147,385
Intergovernmental Receipts	171,685	158,918	2,285	332,888
Fines, Licenses, and Permits	25,866	2,446	0	28,312
Earnings on Investments	40,119	2,674	0	42,793
Miscellaneous	38,966	83	2,652	41,701
Total Cash Receipts	<u>403,868</u>	<u>164,121</u>	<u>25,090</u>	<u>593,079</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	245,788	40,641	30,996	317,425
Public Health Services	658	0	0	658
Transportation	0	73,389	0	73,389
General Government	139,308	0	2,987	142,295
Capital Outlay	16,653	38,112	0	54,765
Total Disbursements	<u>402,407</u>	<u>152,142</u>	<u>33,983</u>	<u>588,532</u>
Total Receipts Over/(Under) Disbursements	<u>1,461</u>	<u>11,979</u>	<u>(8,893)</u>	<u>4,547</u>
Other Financing Receipts/(Disbursements):				
Transfers In			7,125	7,125
Transfers Out	(7,125)	0	0	(7,125)
Total Other Financing Receipts/(Disbursements)	<u>(7,125)</u>	<u>0</u>	<u>7,125</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(5,664)</u>	<u>11,979</u>	<u>(1,768)</u>	<u>4,547</u>
Fund Cash Balances January 1	<u>74,422</u>	<u>49,914</u>	<u>5,992</u>	<u>130,328</u>
Fund Cash Balances, December 31	<u>\$68,758</u>	<u>\$61,893</u>	<u>\$4,224</u>	<u>\$134,875</u>
Reserves for Encumbrances, December 31	<u>\$487</u>	<u>\$639</u>	<u>\$0</u>	<u>\$1,126</u>

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

**VILLAGE OF SABINA
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL ENTERPRISE AND AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$532,617	\$0	\$532,617
Miscellaneous	20,341		20,341
Total Operating Cash Receipts	<u>552,958</u>	<u>0</u>	<u>552,958</u>
Operating Cash Disbursements:			
Personal Services	130,832		130,832
Contractual Services	106,779		106,779
Supplies and Materials	36,153		36,153
Capital Outlay	77,494		77,494
Total Operating Cash Disbursements	<u>351,258</u>	<u>0</u>	<u>351,258</u>
Operating Income/(Loss)	<u>201,700</u>	<u>0</u>	<u>201,700</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	0	37,620	37,620
Total Non-Operating Cash Receipts	<u>0</u>	<u>37,620</u>	<u>37,620</u>
Non-Operating Cash Disbursements:			
Debt Service	122,244		122,244
Other Non-Operating Cash Disbursements	0	37,620	37,620
Total Non-Operating Cash Disbursements	<u>122,244</u>	<u>37,620</u>	<u>159,864</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	79,456	0	79,456
Transfers-In	127,244		127,244
Transfers-Out	<u>(127,244)</u>		<u>(127,244)</u>
Net Receipts Over/(Under) Disbursements	79,456	0	79,456
Fund Cash Balances, January 1	<u>683,350</u>	<u>0</u>	<u>683,350</u>
Fund Cash Balances, December 31	<u>\$762,806</u>	<u>\$0</u>	<u>\$762,806</u>
Reserve for Encumbrances, December 31	<u>\$5,141</u>	<u>\$0</u>	<u>\$5,141</u>

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

**VILLAGE OF SABINA
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts:					
Property Tax and Other Local Taxes	\$125,397	\$0	\$0	\$17,870	\$143,267
Intergovernmental Receipts	117,277	118,854	0	2,101	238,232
Fines, Licenses, and Permits	20,861	2,105			22,966
Earnings on Investments	33,642	2,559			36,201
Miscellaneous	31,526	37,647		1,968	71,141
Total Cash Receipts	328,703	161,165	0	21,939	511,807
Cash Disbursements:					
Current:					
Security of Persons and Property	219,263	0	0	26,049	245,312
Public Health Services	358	0	0	0	358
Capital Outlay	53,926	57,948	0	0	111,874
Transportation	0	127,728	0	0	127,728
General Governmental	95,186	0	5,225	2,471	102,882
Total Disbursements	368,733	185,676	5,225	28,520	588,154
Total Receipts Over/(Under) Disbursements	(40,030)	(24,511)	(5,225)	(6,581)	(76,347)
Other Financing Receipts/(Disbursements):					
Other Uses	0	(202)	0	0	(202)
Transfers-In	0	0	0	5,000	5,000
Advances-In	12,275	0	0	0	12,275
Transfers-Out	(5,000)	0	0	0	(5,000)
Advance-Out	0	0	(12,275)	0	(12,275)
Total Other Financing Receipts/(Disbursements)	7,275	(202)	(12,275)	5,000	(202)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(32,755)	(24,713)	(17,500)	(1,581)	(76,549)
Fund Cash Balances January 1	107,177	74,627	17,500	7,573	206,877
Fund Cash Balances, December 31	\$74,422	\$49,914	\$0	\$5,992	\$130,328
Reserves for Encumbrances, December 31	\$2,203	\$64	\$0	\$60	\$2,327

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

**VILLAGE OF SABINA
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL ENTERPRISE AND AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$461,054	\$0	\$461,054
Intergovernmental Receipts	17,465		17,465
 Total Operating Cash Receipts	 478,519	 0	 478,519
Operating Cash Disbursements:			
Personal Services	130,749		130,749
Contractual Services	111,578		111,578
Supplies and Materials	42,374		42,374
Capital Outlay	51,185		51,185
 Total Operating Cash Disbursements	 335,886	 0	 335,886
 Operating Income/(Loss)	 142,633	 0	 142,633
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	0	29,556	29,556
 Total Non-Operating Cash Receipts	 0	 29,556	 29,556
Non-Operating Cash Disbursements:			
Debt Service	123,842	0	123,842
Other Non-Operating Cash Disbursements		29,556	29,556
 Total Non-Operating Cash Disbursements	 123,842	 29,556	 153,398
 Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	 18,791	 0	 18,791
Transfers-In	126,204	0	126,204
Transfer-Out	(126,204)	0	(126,204)
 Net Receipts Over/(Under) Disbursements	 18,791	 0	 18,791
 Fund Cash Balances, January 1	 664,559	 	 664,559
 Fund Cash Balances, December 31	 \$683,350	 \$0	 \$683,350
 Reserve for Encumbrances, December 31	 \$35,899	 \$0	 \$35,399

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, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Sabina, Clinton County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected, six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), and police services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

Certificates of deposit and repurchase agreements are valued at cost.

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

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**VILLAGE OF SABINA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

State Highway Fund - This fund receives gasoline tax and motor vehicle tax money for maintaining and repairing Village highways.

Cops Grant Fund - This fund receives federal grant monies for the hiring of police officers.

3. Enterprise Funds

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

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

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

Water Mortgage Debt Service Fund - This fund is used to pay debt associated with the Water Plant.

Sewer Mortgage Debt Service Fund - This fund is used to pay debt associated with the Sewer Plant.

4. Fiduciary Funds (Trust and Agency Funds)

Trust Funds are used to account for resources restricted by legally binding trust agreements. The Village's Trust Funds are classified as expendable because the agreement does not require the Village to maintain the corpus of the trust. Funds for which the Village is acting in an agency capacity are classified as Agency Funds. The Village had the following significant Fiduciary Funds:

Police Pension Fund - This Expendable Trust Fund receives money from a tax levy to pay police pension and disability.

Police Trust Fund - This Expendable Trust Fund receives donations that are used to purchase equipment for the Police Department.

Mayor's Court Fund - This Agency Fund receives fines and forfeitures for violations of ordinances within the Village limits.

**VILLAGE OF SABINA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The 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 cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. However, there were no material unrecorded encumbrances at December 31, 2000 and 1999.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Sick Leave

Employees are entitled to cash payments for unused sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

**VILLAGE OF SABINA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	<u>2000</u>	<u>1999</u>
Demand deposits	\$ 7,072	\$ 27,429
Certificates of deposit	195,000	195,000
Cash on Hand	<u>225</u>	<u>125</u>
Total deposits	202,300	222,554
Repurchase Agreement	<u>695,384</u>	<u>591,124</u>
Total investments	<u>695,384</u>	<u>591,124</u>
Total deposits and investments	<u><u>\$897,681</u></u>	<u><u>\$813,678</u></u>

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 repurchase agreement which is an uninsured and unregistered investment for which the securities are held by the counter party or by its department or agent, but not in the Village's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 376,781	\$ 403,868	\$ 27,087
Special Revenue	175,593	164,121	(11,472)
Enterprise	613,951	680,202	66,251
Fiduciary	<u>28,866</u>	<u>32,215</u>	<u>3,349</u>
Total	<u><u>\$ 1,195,191</u></u>	<u><u>\$ 1,280,406</u></u>	<u><u>\$ 85,215</u></u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 455,328	\$ 410,019	\$ 45,309
Special Revenue	225,506	152,781	72,725
Enterprise	1,207,900	605,887	602,013
Fiduciary	<u>34,858</u>	<u>33,983</u>	<u>875</u>
Total	<u><u>\$ 1,923,592</u></u>	<u><u>\$ 1,202,670</u></u>	<u><u>\$ 720,922</u></u>

**VILLAGE OF SABINA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 287,556	\$ 340,978	\$ 53,422
Special Revenue	155,729	161,165	5,436
Enterprise	583,543	604,723	21,180
Fiduciary	21,643	26,939	5,296
Total	\$ 1,048,471	\$ 1,133,805	\$ 85,334

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 394,731	\$ 375,936	\$ 18,795
Special Revenue	230,295	185,942	44,353
Capital Projects	17,500	17,500	0
Enterprise	1,166,162	621,831	544,331
Fiduciary	28,889	28,580	309
Total	\$ 1,837,577	\$ 1,229,789	\$ 607,788

4. PROPERTY TAX

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

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

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

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

**VILLAGE OF SABINA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$773,176	5%
Mortgage Revenue Bonds	75,000	7%
Police Cruiser Lease Purchase Agreement	<u>12,625</u>	
Total	<u>\$860,801</u>	

The Ohio Water Development Authority (OWDA) loan relates to a sewer plant expansion project. The loan will be repaid in semiannual installments of \$90,717, including interest, over 25 years.

The Mortgage Revenue Bonds relate to a water plant expansion project. The loan will be repaid in semiannual installments over 25 years.

The Lease Purchase Agreement is a 36-month term for a new police cruiser.

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

<u>Year ending December 31:</u>	<u>OWDA Loan</u>	<u>General Obligation Bonds</u>	<u>Lease Purchase Agreement</u>
2001	\$90,717	\$29,875	\$9,866
2002	90,717	53,250	3,288
2003	90,717		
2004	90,717		
2005	90,717		
Subsequent	<u>907,174</u>	_____	_____
Total	<u>\$1,360,759</u>	<u>\$83,125</u>	<u>\$13,154</u>

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other Village employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**VILLAGE OF SABINA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

6. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, members of PFDPF contributed 10% of their wages to PFDPF. The Village contributed an amount equal to 19.5% of their wages. For 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 10.84% for 2000 and 13.55% for 1999 of participants' gross salaries. The Village has paid all contributions required through December 31, 2000.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

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STATE OF OHIO
OFFICE OF THE AUDITOR

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

Village of Sabina
Clinton County
99 North Howard Street
Sabina, Ohio 45169

To the Village Council:

We have audited the accompanying financial statements of the Village of Sabina, Clinton County, Ohio (the Village), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated July 25, 2001, which was qualified due to the inadequacy of the documentation supporting Enterprise Fund receipts. Except for the above, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2000-30414-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 25, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2000-30414-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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 to be material weaknesses. We believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated July 25, 2001.

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

Jim Petro
Auditor of State

July 25, 2001

**VILLAGE OF SABINA
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

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

FINDING NUMBER 2000-30414-001

Noncompliance Citation/Material Weakness

Ohio Rev. Code, Section 149.351, establishes guidelines against the destruction or damage of records. All records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Ohio Rev. Code, Sections 149.38 to 149.42.

The Village did not retain water and sewer utility records in accordance with the aforementioned provisions. All water and sewer utility records for January through July 1999 consisting of customer billing and receipt subsidiary ledgers, usage readings and billing stubs had been destroyed and were not presented for audit. As a result, we were unable to audit the utility receipts or to perform alternative auditing procedures to ensure accountability over utility receipts.

The Village should develop policies and procedures outlining the security of all records or take a written inventory of all records noting the records description and location. All records should be maintained in a secure location with access limited to specific officials and/or personnel. Disposal of records should only be made in accordance with an approved records retention schedule.



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OFFICE OF THE AUDITOR

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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
AUGUST 16, 2001**