



Mary Taylor, CPA  
Auditor of State



VILLAGE OF SABINA  
CLINTON COUNTY

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Mary Taylor, CPA  
Auditor of State

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

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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

November 23, 2009

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Sabina  
Clinton County  
99 N. Howard St.  
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, 2008 and 2007. 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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, 2008 and 2007 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, 2008 and 2007, or its changes in financial position or cash flows, where applicable for the years then ended.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242  
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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 Sabina, Clinton County, as of December 31, 2008 and 2007, 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 November 23, 2009, 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

November 23, 2009



VILLAGE OF SABINA  
CLINTON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Governmental Fund Types</b>				<b>Totals</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>(Memorandum Only)</b>
<b>Cash Receipts:</b>					
Property and Local Taxes	\$66,688	\$21,375	\$0	\$0	\$88,063
Municipal Income Tax	323,715	0	0	0	323,715
Intergovernmental	161,678	148,417	0	0	310,095
Fines, Licenses and Permits	23,165	981	0	0	24,146
Earnings on Investments	38,608	3,809	0	0	42,417
Miscellaneous	30,075	3,148	0	0	33,223
<b>Total Cash Receipts</b>	<b>643,929</b>	<b>177,730</b>	<b>0</b>	<b>0</b>	<b>821,659</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons & Property	313,401	27,132	0	0	340,533
Leisure Time Activities	4,967	0	0	0	4,967
Transportation	0	117,222	0	0	117,222
General Government	199,057	332	0	0	199,389
Debt Service:					
Principal Payment	0	0	24,380	0	24,380
Interest and Fiscal Charges	0	0	18,197	0	18,197
<b>Total Cash Disbursements</b>	<b>517,425</b>	<b>144,686</b>	<b>42,577</b>	<b>0</b>	<b>704,688</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>126,504</b>	<b>33,044</b>	<b>(42,577)</b>	<b>0</b>	<b>116,971</b>
<b>Other Financing Receipts/(Disbursements):</b>					
Transfers-In	0	0	42,577	0	42,577
Transfers-Out	(5,000)	0	0	0	(5,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(5,000)</b>	<b>0</b>	<b>42,577</b>	<b>0</b>	<b>37,577</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	121,504	33,044	0	0	154,548
Fund Cash Balance, January 1	\$437,358	\$184,761	\$0	\$14,390	\$636,509
<b>Fund Cash Balance, December 31</b>	<b>\$558,862</b>	<b>\$217,805</b>	<b>\$0</b>	<b>\$14,390</b>	<b>\$791,057</b>
Reserve for Encumbrances, December 31	\$1,569	\$4	\$0	\$0	\$1,573

*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 PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Proprietary</b>	<b>Fiduciary</b>	<b>Totals</b>
	<b>Enterprise</b>	<b>Agency</b>	<b>(Memorandum Only)</b>
<b>Operating Cash Receipts:</b>			
Charges for Services	\$602,442	\$0	\$602,442
Miscellaneous	4,196	0	4,196
Total Operating Cash Receipts	606,638	0	606,638
<b>Operating Cash Disbursements:</b>			
Current:			
Personal Services	181,718	0	181,718
Employee Fringe Benefits	71,845	0	71,845
Contractual Services	160,840	0	160,840
Supplies and Materials	123,095	0	123,095
Other	5,562	0	5,562
Total Operating Cash Disbursements	543,060	0	543,060
Operating Income	63,578	0	63,578
<b>Non-Operating Receipts/Disbursements</b>			
Special Assessments	5,798	0	5,798
Miscellaneous Receipts	2,808	0	2,808
Capital Outlay	(45,692)	0	(45,692)
Redemption of Principal	(28,847)	0	(28,847)
Interest and Other Fiscal Charges	(16,491)	0	(16,491)
Total Non-Operating Disbursements	(82,424)	0	(82,424)
(Loss) Before Interfund Transfers	(18,846)	0	(18,846)
Transfers-In	5,000	0	5,000
Transfers-Out	(42,577)	0	(42,577)
Fund Cash Balance, January 1	\$926,052	\$26,416	\$952,468
<b>Fund Cash Balance, December 31</b>	<b>\$869,629</b>	<b>\$26,416</b>	<b>\$896,045</b>
Reserve for Encumbrances, December 31	\$28	\$0	\$28

*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 FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Governmental Fund Types</b>				<b>Totals</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>(Memorandum Only)</b>
<b>Cash Receipts:</b>					
Property and Local Taxes	\$72,544	\$23,176	\$0	\$0	\$95,720
Municipal Income Tax	343,510	0	0	0	343,510
Intergovernmental	177,605	157,771	0	0	335,376
Fines, Licenses and Permits	13,463	279	0	0	13,742
Earnings on Investments	63,675	15,539	0	0	79,214
Miscellaneous	17,337	2,689	0	0	20,026
<b>Total Cash Receipts</b>	<b>688,134</b>	<b>199,454</b>	<b>0</b>	<b>0</b>	<b>887,588</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons & Property	364,280	802	0	0	365,082
Leisure Time Activities	633	0	0	0	633
Transportation	0	223,783	0	0	223,783
General Government	220,100	0	0	0	220,100
Capital Outlay	0	0	0	850	850
Debt Service:					
Principal Payment	0	0	46,939	0	46,939
Interest and Fiscal Charges	0	0	37,974	0	37,974
<b>Total Cash Disbursements</b>	<b>585,013</b>	<b>224,585</b>	<b>84,913</b>	<b>850</b>	<b>895,361</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>103,121</b>	<b>(25,131)</b>	<b>(84,913)</b>	<b>(850)</b>	<b>(7,773)</b>
<b>Other Financing Receipts/(Disbursements):</b>					
Transfers-In	0	0	84,912	0	84,912
Transfers-Out	0	0	0	(23,000)	(23,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>0</b>	<b>0</b>	<b>84,912</b>	<b>(23,000)</b>	<b>61,912</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements</b>	<b>103,121</b>	<b>(25,131)</b>	<b>(1)</b>	<b>(23,850)</b>	<b>54,139</b>
<b>Fund Cash Balance, January 1</b>	<b>\$334,237</b>	<b>\$209,892</b>	<b>\$1</b>	<b>\$38,240</b>	<b>\$582,370</b>
<b>Fund Cash Balance, December 31</b>	<b>\$437,358</b>	<b>\$184,761</b>	<b>\$0</b>	<b>\$14,390</b>	<b>\$636,509</b>

*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 PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
<b>Operating Cash Receipts:</b>			
Charges for Services	\$631,536	\$0	\$631,536
Miscellaneous	11,943	0	11,943
<b>Total Operating Cash Receipts</b>	<b>643,479</b>	<b>0</b>	<b>643,479</b>
<b>Operating Cash Disbursements:</b>			
Current:			
Personal Services	170,552	0	170,552
Employee Fringe Benefits	62,651	0	62,651
Contractual Services	155,806	0	155,806
Supplies and Materials	239,148	0	239,148
Other	8,369	0	8,369
<b>Total Operating Cash Disbursements</b>	<b>636,526</b>	<b>0</b>	<b>636,526</b>
Operating Income/(Loss)	6,953	0	6,953
<b>Non-Operating Receipts/Disbursements</b>			
Special Assessments	3,930	0	3,930
Miscellaneous Receipts	3,684	0	3,684
Capital Outlay	(41,120)	0	(41,120)
Redemption of Principal	(2,500)	0	(2,500)
<b>Total Non-Operating Disbursements</b>	<b>(36,006)</b>	<b>0</b>	<b>(36,006)</b>
(Loss) Before Interfund Transfers	(29,053)	0	(29,053)
Transfers-In	46,000	0	46,000
Transfers-Out	(107,912)	0	(107,912)
Fund Cash Balance, January 1	\$1,017,017	\$26,416	\$1,043,433
<b>Fund Cash Balance, December 31</b>	<b>\$926,052</b>	<b>\$26,416</b>	<b>\$952,468</b>

*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, 2008 AND 2007**

**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 Sabina, Clinton County, Ohio (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, and police services.

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

Jointly Governed Organizations:

The SRWW #2 Joint Fire District, is a jointly governed organization, which provides fire protection and rescue services 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 of has authority to levy taxes and approve its own budget. Funding for operations comes from the participants in the District, charges for services and a tax levy.

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. Deposits 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.

The Village values certificates of deposit and the sweep account at cost.

**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.

**VILLAGE OF SABINA  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**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.

**3. Debt Service Fund**

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

Sewer Debt Service Fund - This fund receives money from the sewer fund to repay the 1991 OWDA loan.

**4. 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:

Other Capital Projects Fund - This fund receives moneys from other funds for capital projects in the Village.

**5. 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 - 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.

**6. 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's agency fund accounts for Unclaimed Monies which had no activity during the audit period.

**VILLAGE OF SABINA  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(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 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. 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 2008 and 2007 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.

**VILLAGE OF SABINA  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**2. Equity in Pooled 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:

	2008	2007
Demand deposits	(\$10,267)	(\$15,054)
Certificates of deposit	431,352	416,647
Total deposits	421,085	401,593
Money Market Sweep Account	1,266,017	1,187,384
Total investments	1,266,017	1,187,384
Total deposits and investments	\$1,687,102	\$1,588,977

**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 an uninsured and unregistered investment for which 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, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$529,902	\$643,650	\$113,748
Special Revenue	191,747	177,730	(14,017)
Debt Service	85,000	42,577	(42,423)
Capital Projects	0	0	0
Enterprise	646,000	620,244	(25,756)
Total	\$1,452,649	\$1,484,201	\$31,552

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$551,051	\$523,994	\$27,057
Special Revenue	280,920	144,690	136,230
Debt Service	83,000	42,577	40,423
Capital Projects	6,000	0	6,000
Enterprise	1,500,012	676,695	823,317
Total	\$2,420,983	\$1,387,956	\$1,033,027



**VILLAGE OF SABINA  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**3. Budgetary Activity (Continued)**

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$597,300	\$688,134	\$90,834
Special Revenue	207,719	199,454	(8,265)
Debt Service	85,000	84,912	(88)
Capital Projects	0	0	0
Enterprise	702,500	697,093	(5,407)
Total	\$1,592,519	\$1,669,593	\$77,074

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$637,459	\$585,013	\$52,446
Special Revenue	331,170	224,585	106,585
Debt Service	90,717	84,913	5,804
Capital Projects	38,240	23,850	14,390
Enterprise	1,467,129	788,058	679,071
Total	\$2,564,715	\$1,706,419	\$858,296

Appropriations exceeded estimated resources in the following funds for the years ended:

December 31, 2008: Street Construction Maintenance and Repair, Water and Pool.  
December 31, 2007: Sewer Debt Service, Sewer Reserve, Water and Pool.

Contrary to Ohio law, the Village did not establish a special fund for each source of revenue derived from a source other than the general property tax which the law requires to be used for a particular purpose. Monies were not always posted to the particular fund specified by their purpose. Almost all funds had some adjustment required.

**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.

**VILLAGE OF SABINA  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**4. Property Tax (Continued)**

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

**5. Local Income Tax**

The Village levies a municipal income tax of 1 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, 2008 was as follows:

	Principal	Interest Rate
1991 Ohio Water Development Authority Loan	\$444,814	8.07%
2001 Ohio Water Development Authority Loan	\$10,000	0.00%
2005 Dump Truck Lease Agreement	\$13,874	5.41%
2006 Police Cruiser Lease Agreement	5,304	6.75%
Total	\$473,992	

The 1991 Ohio Water Development Authority (OWDA) loan relates to a sewer plant expansion project. The OWDA disbursed \$962,621 to the Village for this project. The Village will repay the loan in semiannual installments of \$45,359, including interest, over 25 years. This loan is secured by utility fund customer charges for services.

The 2001 Ohio Water Development Authority (OWDA) loan relates to the preliminary engineering for a water/wastewater treatment system. The OWDA disbursed \$25,000 to the Village for this project. The Village will repay the loan in annual installments of \$2,500, including interest, over 10 years. This loan is secured by utility fund customer charges for services.

The 2005 Dump Truck Lease Agreement is a lease-purchase agreement over a 60 month term for a new dump truck for the street department. The Village will pay \$783.00 each month. The agreement is collateralized by the vehicle.

The 2006 Police Cruiser Lease Agreement is a lease-purchase agreement over a 36 month term for a new police cruiser. The Village will pay \$774.87 each month with a final payment of \$774.71. The agreement is collateralized by the vehicle.

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

**VILLAGE OF SABINA  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**6. Debt (Continued)**

Year ending December 31:	1991 OWDA Loan	2001 OWDA Loan	2005 Dump Truck Lease	2006 Police Cruiser Lease
2009	\$85,958	\$2,500	\$9,396	\$5,424
2010	86,545	2,500	5,481	0
2011	87,179	2,500	0	0
2012	87,864	2,500	0	0
2013	88,604	0	0	0
2014-2018	134,314	0	0	0
Total	<u>\$570,464</u>	<u>\$10,000</u>	<u>\$14,877</u>	<u>\$5,424</u>

**7. Retirement Systems**

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees 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 2008 and 2007, OP&F participants contributed 10% of their wages. For 2008 and 2007, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2008 and 2007, OPERS members contributed 10 and 9.5%, respectively, of their gross salaries and the Village contributed an amount equaling 14 and 13.85%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

**8. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

**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.

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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 Sabina  
Clinton County  
99 N. Howard St  
Sabina, Ohio 45169

To the Village Council:

We have audited the financial statements of the Village of Sabina, Clinton County, Ohio (the Village), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated November 23, 2009, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Government's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Government's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2008-007, and 2008-010 through 2008-012 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Government's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings number 2008-007 and 2008-010 and 2008-011 are also material weaknesses.

We also noted certain internal control matters that we reported to the Government's management in a separate letter dated November 23, 2009.

### **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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 through 2008-010.

We also noted certain noncompliance or other matters that we reported to the Village's management in a separate letter dated November 23, 2009.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management, and Village Council. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

November 23, 2009

VILLAGE OF SABINA  
CLINTON COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-001

**Finding for Recovery – Garrett Benton Resignation Pay & Payroll Errors**

Mr. Garrett Benton was employed as a Police Patrolman by the Village of Sabina. On November 13, 2008, Village Council approved a 3% pay raise for Garrett Benton, setting his salary at \$27,717 a year or \$13.33 per hour. However, for the three paychecks after this pay increase until his resignation Mr. Benton was paid \$15.00 per hour. This resulted in an overpayment totaling \$312.20.

Mr. Benton resigned as Police Patrolman with the Village of Sabina and on December 12, 2008, he was paid for sick and vacation leave.

A review of Mr. Benton's sick leave payout upon resignation identified that he was paid out 36.87 hours of accrued but unused sick leave at the rate of \$15.00 per hour. As stated above, he was only entitled to payment at \$13.33 per hour. This resulted in an overpayment of \$61.57.

A review of Mr. Benton's vacation payout upon resignation identified that he was paid out 132.1 hours of vacation leave while he had only accrued 113.19 hours of vacation leave. Accordingly he was overcompensated a total of 18.91 vacation hours totaling \$283.65.

Additionally, the 113.19 hours of vacation leave he was entitled to, were paid out at the rate of \$15.00 per hour, while as stated above, he was only entitled to payment at \$13.33 per hour. This resulted in an overpayment of \$189.02.

Former Interim Village Fiscal Officer Justin Ellenberger and Village Mayor Dean Carnahan approved and signed the overpayments detailed above.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Mr. Garrett Benton, former Village Police Patrolman, and the Scottsdale Indemnity Company, his bonding company, jointly and severally, in the amount of \$846.44 and in favor of the Village of Sabina's General Fund.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. Seward v. National Surety Co. (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Therefore, because former Village Interim Fiscal Officer Justin Ellenberger, and Village Mayor Dean Carnahan, signed the overpayments, they and the Mayor's bonding company, the Scottsdale Indemnity Company, are jointly and severally liable in the amount of \$846.44 and in favor of the Village of Sabina's General Fund to the extent that payment is not received from Garrett Benton.

**Officials' Response:**

Council will do our best to collect these funds in the most appropriate fashion.

### FINDING NUMBER 2008-002

#### Finding for Recovery – Gerald Strickland Resignation Pay

On November 29, 2007 the Village Council accepted the resignation of Gerald Strickland as Village Police Chief. On December 6, 2007 and December 14, 2007, Mr. Strickland was paid out for his accrued but unused sick and vacation leave balances.

A review of Mr. Strickland's vacation payout upon resignation identified that he was paid out 131.22 hours of unused vacation leave while a recalculation of his vacation balance indicated was only entitled to payment for 20.7 hours of accrued but unused vacation leave. Accordingly he was overcompensated a total of 110.52 vacation hours totaling \$2,210.40.

Former Village Fiscal Officer Jodi Rolston and Village Mayor Dean Carnahan signed the overpayments detailed above.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Mr. Gerald Strickland, former Village Police Chief, and the Ohio Farmers Insurance Company, his bonding company, jointly and severally, in the amount of \$2,210.40 and in favor of the Village of Sabina's General Fund.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. Seward v. National Surety Co. (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Therefore, because former Village Fiscal Officer Jodi Rolston and Village Mayor Dean Carnahan signed the overpayment, they and their bonding company, the Ohio Farmer's Insurance Company, are jointly and severally liable in the amount of \$2,210.40 and in favor of the Village of Sabina's General Fund to the extent that payment is not received from Gerald Strickland.

#### Officials' Response:

Council will do our best to collect these funds in the most appropriate fashion.

### FINDING NUMBER 2008-003

#### Finding for Recovery – Jodi Rolston Termination Pay

On September 11, 2008 the Village Council approved the termination of Jodi Rolston as Village Fiscal Officer. On September 16, 2008, Ms. Rolston was paid out for her existing balances of the following: 16.25 hours of vacation leave accrued and 9.04 hours of sick leave accrued.

A review of Ms. Rolston's sick leave payout showed that she had used 25.76 hours of sick leave that she had not accrued and was not entitled to. In addition, she was compensated 9.04 hours of sick leave upon her resignation that she had not accrued and was not entitled to. Accordingly she was overcompensated a total of 34.8 sick leave hours totaling \$457.62.

Additionally, a review of Ms. Rolston's vacation payout upon resignation identified that she was paid out 16.25 hours while she had only accrued 9.16 hours of unused vacation time. Accordingly she was overcompensated a total of 7.09 vacation hours totaling \$93.23.



**FINDING NUMBER 2008-003  
(Continued)**

Former Interim Village Fiscal Officer Justin Ellenberger and Village Mayor Dean Carnahan signed the overpayment detailed above.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Ms. Jodi Rolston, former Village Fiscal Officer, and the Ohio Farmers Insurance Company, her bonding company, jointly and severally, in the amount of \$550.85 and in favor of the Village of Sabina's General Fund.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. Seward v. National Surety Co. (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Therefore, because former Village Interim Fiscal Officer Justin Ellenberger signed the overpayment, he is jointly and severally liable in the amount of \$550.85 and in favor of the Village of Sabina's General Fund. Additionally, because Village Mayor Dean Carnahan signed the overpayment, he and his bonding company, the Scottsdale Indemnity Company, are jointly and severally liable in the amount of \$550.85 and in favor the favor of the Village of Sabina's General Fund to the extent that payment is not received from Jodi Rolston.

**Officials' Response:**

Council will do our best to collect these funds in the most appropriate fashion.

**FINDING NUMBER 2008-004**

**Finding for Recovery – Justin Ellenberger's Payroll**

In June 2006, Mr. Justin Ellenberger was employed as an Assistant Clerk by the Village of Sabina. While no indication of Mr. Ellenberger's pay rate was noted as approved by Village Council in the Village minutes, he was paid \$8.25 per hour. In 2007, during our testing we noted a pay increase of \$0.75 per hour (or a 9% increase) for a total of \$9.00 per hour starting with pay date July 9, 2007. However, no documentation was provided approving this pay increase. In 2008, a 3% pay raise was approved by Village Council on June 26, 2008; however no dollar amount was indicated. With this pay increase, his pay rate became \$9.27 per hour. For Mr. Ellenberger's final pay check on January 3, 2009, his pay rate was \$14.27 per hour, however no indication of approval of this pay rate could be located in the Village Council minutes. The following table indicates his approved pay, actual payments to Mr. Ellenberger and any differences:

**FINDING NUMBER 2008-004  
(Continued)**

Warrant Number	Date	Total Hours	Actual Paid Wages	Pay Rate Paid	Approved Pay Rate	(Difference in Pay Rate x Hours) Check Variance	Check Signed by Fiscal Officer	Check Signed by Mayor
<b>2007</b>								
38330	7/9/2007	52.75	\$ 474.75	\$ 9.00	\$ 8.25	\$ 39.56	Jodi Rolston	Dean Carnahan
38421	7/23/2007	52.00	\$ 468.00	\$ 9.00	\$ 8.25	\$ 39.00	Jodi Rolston	Dean Carnahan
38487	8/6/2007	48.00	\$ 432.00	\$ 9.00	\$ 8.25	\$ 36.00	Jodi Rolston	Dean Carnahan
38564	8/20/2007	46.25	\$ 416.25	\$ 9.00	\$ 8.25	\$ 34.69	Jodi Rolston	Dean Carnahan
38630	9/4/2007	46.00	\$ 414.00	\$ 9.00	\$ 8.25	\$ 34.50	Jodi Rolston	Dean Carnahan
38706	9/17/2007	44.00	\$ 396.00	\$ 9.00	\$ 8.25	\$ 33.00	Jodi Rolston	Dean Carnahan
38758	10/1/2007	48.00	\$ 432.00	\$ 9.00	\$ 8.25	\$ 36.00	Jodi Rolston	Dean Carnahan
38836	10/15/2007	43.00	\$ 387.00	\$ 9.00	\$ 8.25	\$ 32.25	Jodi Rolston	Dean Carnahan
38894	11/1/2007	48.00	\$ 432.00	\$ 9.00	\$ 8.25	\$ 36.00	Jodi Rolston	Dean Carnahan
38951	11/13/2007	50.00	\$ 450.00	\$ 9.00	\$ 8.25	\$ 37.50	Jodi Rolston	Dean Carnahan
38977	11/27/2007	43.50	\$ 391.50	\$ 9.00	\$ 8.25	\$ 32.63	Jodi Rolston	Dean Carnahan
39048	12/10/2007	49.00	\$ 441.00	\$ 9.00	\$ 8.25	\$ 36.75	Jodi Rolston	Dean Carnahan
39108	12/24/2007	50.00	\$ 450.00	\$ 9.00	\$ 8.25	\$ 37.50	Jodi Rolston	Dean Carnahan
<b>2008</b>								
39163	1/1/2008	36.50	\$ 328.50	\$ 9.00	\$ 8.25	\$ 27.38	Jodi Rolston	Dean Carnahan
39266	1/22/2008	55.00	\$ 495.00	\$ 9.00	\$ 8.25	\$ 41.25	Jodi Rolston	Dean Carnahan
39319	2/4/2008	42.50	\$ 382.50	\$ 9.00	\$ 8.25	\$ 31.88	Jodi Rolston	Dean Carnahan
39379	2/19/2008	57.50	\$ 517.50	\$ 9.00	\$ 8.25	\$ 43.13	Jodi Rolston	Dean Carnahan
39442	3/3/2008	44.00	\$ 396.00	\$ 9.00	\$ 8.25	\$ 33.00	Jodi Rolston	Dean Carnahan
39501	3/17/2008	52.00	\$ 468.00	\$ 9.00	\$ 8.25	\$ 39.00	Jodi Rolston	Dean Carnahan
39550	3/31/2008	46.00	\$ 414.00	\$ 9.00	\$ 8.25	\$ 34.50	Jodi Rolston	Dean Carnahan
39620	4/14/2008	48.00	\$ 432.00	\$ 9.00	\$ 8.25	\$ 36.00	Jodi Rolston	Dean Carnahan
39665	4/28/2008	64.00	\$ 576.00	\$ 9.00	\$ 8.25	\$ 48.00	Jodi Rolston	Dean Carnahan

**FINDING NUMBER 2008-004  
 (Continued)**

39742	5/12/2008	47.50	\$ 427.50	\$ 9.00	\$ 8.25	\$ 35.63	Jodi Rolston	Dean Carnahan
39797	5/27/2008	44.00	\$ 396.00	\$ 9.00	\$ 8.25	\$ 33.00	Jodi Rolston	Dean Carnahan
39860	6/9/2008	48.00	\$ 432.00	\$ 9.00	\$ 8.25	\$ 36.00	Jodi Rolston	Dean Carnahan
39901	6/23/2008	66.00	\$ 594.00	\$ 9.00	\$ 8.25	\$ 49.50	Jodi Rolston	Dean Carnahan
39994	7/7/2008	46.00	\$ 426.42	\$ 9.27	\$ 8.50	\$ 35.54	Jodi Rolston	Dean Carnahan
40063	7/21/2008	55.00	\$ 509.85	\$ 9.27	\$ 8.50	\$ 42.49	Jodi Rolston	Peggy Sloan
40143	8/4/2008	56.00	\$ 519.12	\$ 9.27	\$ 8.50	\$ 43.26	Justin Ellenberger	Peggy Sloan
40214	8/19/2008	71.00	\$ 658.17	\$ 9.27	\$ 8.50	\$ 54.85	Jodi Rolston	Dean Carnahan
40285	9/2/2008	52.00	\$ 482.04	\$ 9.27	\$ 8.50	\$ 40.17	Jodi Rolston	Dean Carnahan
40312	9/16/2008	48.00	\$ 444.96	\$ 9.27	\$ 8.50	\$ 37.08	Justin Ellenberger	Dean Carnahan
40409	9/30/2008	80.00	\$ 741.60	\$ 9.27	\$ 8.50	\$ 61.80	Justin Ellenberger	Dean Carnahan
40464	10/15/2008	80.00	\$ 741.60	\$ 9.27	\$ 8.50	\$ 61.80	Justin Ellenberger	Dean Carnahan
40531	10/27/2008	80.00	\$ 741.60	\$ 9.27	\$ 8.50	\$ 61.80	Justin Ellenberger	Dean Carnahan
40563	11/13/2008	53.65	\$ 497.34	\$ 9.27	\$ 8.50	\$ 41.45	Justin Ellenberger	Dean Carnahan
40618	11/24/2008	57.25	\$ 530.71	\$ 9.27	\$ 8.50	\$ 44.23	Justin Ellenberger	Dean Carnahan
40720	12/9/2008	56.50	\$ 523.76	\$ 9.27	\$ 8.50	\$ 43.65	Justin Ellenberger	Dean Carnahan
40787	12/23/2008	55.00	\$ 509.85	\$ 9.27	\$ 8.50	\$ 42.49	Christine Dearth	Dean Carnahan
40854	1/3/2009	32.00	\$ 296.84	\$ 9.27	\$ 8.50	\$ 24.92	Diana Groves	Dean Carnahan
40854	1/3/2009	18.00	\$ 256.86	\$ 14.27	\$ 8.50	\$ 103.91	Diana Groves	Dean Carnahan
						\$1,693.05		

Calculations:

2008: 3% increase approved; \$8.25 x 3% increase = \$8.50

Therefore, according to the table above, Mr. Ellenberger was not entitled to receive these pay rate increases during the audit period. This resulted in an overpayment of \$1,693.05.

Former Village Fiscal Officer Jodi Rolston, Former Assistant Fiscal Officer and Former Interim Fiscal Officer Justin Ellenberger, Village Council President Peggy Sloan, Village Mayor Dean Carnahan, Former Village Fiscal Officer Christine Dearth and Fiscal Officer Diana Groves signed and approved the overpayments detailed above.

**FINDING NUMBER 2008-004  
(Continued)**

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Mr. Justin Ellenberger, former Village Assistant Fiscal Officer, and the Scottsdale Indemnity Company, his bonding company while employed as Assistant Fiscal Officer, jointly and severally, in the amount of \$1,693.05 and in favor of the Village of Sabina's General Fund. Justin Ellenberger was not bonded during his employment as Interim Fiscal Officer. Justin Ellenberger is primarily liable for the amounts he received in overpayment.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Co. (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Therefore, because former Village Fiscal Officer Jodi Rolston signed the overpayment, she and her bonding company, the Ohio Farmers Insurance Company, are jointly and severally liable in the amount of \$1,126.67 and in favor of the Village of Sabina's General Fund. Additionally, because Village Mayor Dean Carnahan signed the overpayment, he and his bonding company, the Scottsdale Indemnity Company, are jointly and severally liable in the amount of \$1,607.30 and in favor of the Village of Sabina's General Fund. Additionally, because former Village Fiscal Officer Christine Dearth signed the overpayment, she and her bonding company, the Ohio Farmers Insurance Company, are jointly and severally liable in the amount of \$42.49 and in favor of the Village of Sabina's General Fund. Additionally, because Village Council President Peggy Sloan signed the overpayment, she and her bonding company, the Scottsdale Indemnity Company, are jointly and severally liable in the amount of \$85.75 and in favor of the Village of Sabina's General Fund. Finally, because Village Fiscal Officer Diana Groves signed the overpayment, she and her bonding company, the Ohio Farmers Insurance Company, are jointly and severally liable in the amount of \$128.83 and in favor of the Village of Sabina's General Fund. Justin Ellenberger was not bonded during his employment as Interim Fiscal Officer.

Jodi Rolston, Dean Carnahan, Christine Dearth, Peggy Sloan and Diana Groves will only be liable to the extent that payment is not received from Justin Ellenberger.

**Officials' Response:**

Council will do our best to collect these funds in the most appropriate fashion.

**Fiscal Officer's Response:**

The following are relevant excerpts we received from the Fiscal Officer:

Regarding the overpayment of wages to Justin Ellenberger concerning the amount \$9.27 per hours that Justin was paid for the payroll ending January 3, 2008, this amount was in the UAN system as his current rate of pay; it has been established rate of pay since July 2008. There was no way a new employee would have had time to research the legislation on each employee's proper rate of pay prior to the payroll ending January 3, 2008.

With the regard to the \$5.00 per hour increase Mr. Ellenberger received for 18 hours of pay; I was instructed by Council Member, Finance Committee Chairman and Employee Relations committee member Dean Hawk after he held a private meeting with Justin Ellenberger, to increase Justin's hourly rate for the specific dates that Justin agreed to stay to train me.

**FINDING NUMBER 2008-004  
(Continued)**

**Auditor of State's Conclusion:**

We appreciate that in this circumstance the Fiscal Officer had minimal time to review the pay rates in effect. However, the Auditor of State's policy regarding the responsibility for employee overpayment is well established, and we will adhere to it.

**FINDING NUMBER 2008-005**

**Finding for Recovery – 2007 Pool Change Drawers**

At the beginning of each pool season, \$100 is cashed from the Village's Pool Fund for the two \$50 change drawers used in the pool operations. On May 31, 2007, check #38156 for \$100 was cashed to provide the pool change drawers. At the end of each pool season, the change drawers are to be re-deposited into the Village pool fund. On the last day of the pool season, August 25, 2007, the daily closeout sheet, for admissions and concessions, indicates a deposit of \$135.20 but there is no indication of the change drawers in the calculation. Each day prior to the last day, the change drawers were accounted for. Jessica Hawk, the 2007 pool manager, was responsible for this last day's deposit and the change drawers.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies collected but unaccounted for is hereby issued against Ms. Jessica Hawk, former Village Pool Manager, and the Scottsdale Indemnity Company, her bonding company, jointly and severally, in the amount of \$100 and in favor of the Village of Sabina's Pool Fund.

**Officials' Response:**

Council will do our best to collect these funds in the most appropriate fashion.

**FINDING NUMBER 2008-006**

**Finding for Recovery – 2008 Pool Change Drawers & Final Deposit**

At the beginning of each pool season, \$100 is cashed from the Village's Pool Fund for the two \$50 change drawers used in the pool operations. On June 2, 2008, check #39817 for \$100 was cashed to provide the pool change drawers. This check was endorsed by Amy Vaughn. At the end of each pool season, the change drawers are to be re-deposited into the Village Pool Fund. No re-deposit of the change drawers can be located in the Village records. Amy Vaughn, the 2008 pool manager, was responsible for the change drawers.

On the last day of the pool season, August 30, 2008, the daily closeout sheet, for admissions and concessions, indicates a deposit of \$84. A deposit slip for \$84 was prepared and posted to the Village UAN system. However, no deposit for this account can be located in the Village's bank account.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies collected but unaccounted for is hereby issued against Ms. Amy Vaughn, Village Pool Manager, and the Scottsdale Indemnity Company, her bonding company, jointly and severally, in the amount of \$184 (\$100+\$84) and in favor of the Village of Sabina's Pool Fund.

**Officials' Response:**

Council will do our best to collect these funds in the most appropriate fashion.

**FINDING NUMBER 2008-007**

**Noncompliance Citation/Material Weakness**

**Ohio Rev. Code, Section 5705.09(F)**, provides that each subdivision shall establish a special fund for each class of revenue derived from a source other than the general property tax which the law requires to be used for a particular purpose.

**Ohio Rev. Code, Section 5705.10(H)**, provides that monies paid into any fund shall be used only for the purpose for which such fund is established.

Monies were not always posted to the particular fund specified by their purpose.

**Ohio Rev. Code, Section 733.28**, states that the village clerk should keep the books of the village, exhibit accurate statements of all moneys received and expended, all property owned by the Village and income derived thereof, and all taxes and assessments. Although the Village Clerk maintained accounting records, the records contained numerous posting errors resulting audit adjustments and reclassifications to the 2007 and 2008 financial statements. In addition, reconciliations were not always performed correctly or in a timely manner during the audit period. As a result, the records maintained by the Clerk were not an accurate reflection of all moneys received and expended.

The Village posted property taxes at the net amount instead of the gross amount; taxes, intergovernmental, interest, pool and utilities receipts were not posted to the Village's UAN system; expenditures were not posted to the Village's UAN system; many returned deposit items and their associated bank charges were never posted to the UAN system; many deposits were posted to the Village's UAN system in the wrong amount; and many receipts were posted to the wrong funds. The Village also did not establish the Enforcement and Education fund required to record DUI fines collected or the Law Enforcement Training Fund to record receipts for that purpose. The following table reflects the net effect of the adjustments totaling \$88,648 on the financial statements.

	Net Effect of Adjustments on Fund Balance at December 31, 2008
General Fund	\$1,902
Street Construction & Maintenance Fund	\$64,105
State Highway Fund	\$5,124
2091 Law Enforcement Trust	\$1,100
2131 Police Disability & Pension Fund	\$18,254
Law Enforcement Training	\$300
Enforcement and Education	\$160
5101 Water Fund	\$614
5201 Sewer Fund	\$2,556
5501 Pool Fund	(\$4,635)
5781 Water Service Deposit Fund	(\$832)

Audit adjustments have been posted to the Village's financial records and are reflected in the accompanying financial statements to properly reflect receipts and disbursements of the Village. As a result, the records maintained by the Clerk were not an accurate reflection of all moneys received and expended by the Village.

**FINDING NUMBER 2008-007  
(Continued)**

Failure to accurately prepare and reconcile the accounting records 1) reduces the accountability over Village funds, 2) reduces the Councils' ability to monitor financial activity and make informed financial decisions, 3) increases the likelihood that moneys will be misappropriated and not detected, and 4) increases the likelihood that the Village's financial statements will be misstated.

We recommend the Village Clerk accurately maintain the Village's accounting records in accordance with the uniform accounting system prescribe by the Auditor of State. In addition, all supporting documentation of receipts, expenditures, and bank reconciliations should be maintained. For added accountability, we recommend Council develop procedures to review and monitor all financial activity and bank reconciliations for accuracy and ensure that all reconciling items are justified.

**Officials' Response:**

Procedures for use of funds and posting to UAN system have been established and are in effect by fiscal department.

**FINDING NUMBER 2008-008**

**Noncompliance Citation**

**Ohio Rev. Code, Section 5705.41(D)(1)**, requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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 the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 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. 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.

**FINDING NUMBER 2008-008  
 (Continued)**

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 reasonably 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 availability of funds was not certified prior to the time of commitment in 71% (22/31) of expenditures tested nor did the Village use the aforementioned exceptions. Every effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly encumber could result in overspending funds and negative cash fund balances.

Unless the Village uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer 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 certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Officials' Response:**

Village fiscal office and council has established blanket certificates and procedures to resolve the multiple requirements for smaller purchases.

**FINDING NUMBER 2008-009**

**Noncompliance Citation**

**Ohio Rev. Code, Section 5705.39**, provides that the total appropriations from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The following funds had appropriations exceeding estimated resources in the years listed.

<b>Year Ended December 31, 2008</b>	<b>Appropriations</b>	<b>Estimated Resources</b>	<b>Variance</b>
Street Construction Maintenance and Repair	\$238,070	\$214,926	(\$23,144)
Water Fund	755,015	746,355	(8,660)
Pool Fund	43,900	31,608	(12,292)



**FINDING NUMBER 2008-009  
 (Continued)**

<b>Year Ended December 31, 2007</b>	<b>Appropriations</b>	<b>Estimated Resources</b>	<b>Variance</b>
Sewer Debt Service	\$90,717	\$85,001	(\$5,716)
Sewer Reserve	23,000	0	(23,000)
Water Fund	714,739	644,159	(70,580)
Pool Fund	39,830	24,999	(14,831)

We recommend the Village use due care in monitoring their budgetary documents since these documents are an integral part of the budgetary control process. The Village should integrate the budgetary documents into the UAN system. Failure to properly monitor budgetary activity could result in negative fund balances. We recommend that the Village monitor budgetary activity on a regular basis and obtain amended certificates as needed.

**Officials' Response:**

Fiscal officer and some council members have undergone extensive training in procedures involving financial responsibilities.

**FINDING NUMBER 2008-010**

**Noncompliance Citation/Material Weakness**

**Ohio Rev. Code, Section 2981.13(C)(1)**, states, in pertinent part, that a law enforcement trust fund shall be established by the legislative authority of each municipal corporation and that amounts distributed to any municipal corporation law enforcement trust fund shall be allocated from the fund by the legislative authority only to the police department of the municipal corporation.

**Ohio Rev. Code, Section 4511.19(G)(5)(a)**, requires a fine for operating a vehicle under the influence of alcohol or drugs – OVI. The fine is a progressive amount based on the offense and is required to be paid to an Enforcement and Education Fund established by the legislative authority of the law enforcement agency in this state that primarily was responsible for the arrest of the offender.

In 2007 and 2008, all fine monies received from the Clinton County Municipal Court and Clinton County Clerk of Courts were deposited into the General Fund. Fines received under the above revised code sections should be posted to Law Enforcement Trust Fund or Enforcement and Education Fund as required. The Village had a Law Enforcement Trust Fund but not an Enforcement and Education Fund. We recommend the Village post the applicable receipts and disbursements to the Law Enforcement Trust Fund. The failure to deposit these funds properly resulted in the following audit adjustments which have been included in the totals noted in Finding 2008-007:

	<b>Year End 12/31/08 Increase/(Decrease)</b>	<b>Year End 12/31/07 Increase/(Decrease)</b>
General Fund	(\$981)	(\$279)
Law Enforcement Trust Fund	846	254
Enforcement and Education Fund	135	25

In addition, in 2009, the Village Police Chief opened a separate, off-the-books, bank account to deposit these funds. The fines received by the Village due to the Law Enforcement Trust Fund and the Enforcement and Education Fund in 2009 have been recorded on the Village's accounting records and financial records. We recommend the off-the-books bank account is closed and all fine monies are recorded as the Village's books as required. In addition, we recommend the Village ensure the Law Enforcement Trust Fund is in compliance with all the requirements noted above.

**FINDING NUMBER 2008-010  
(Continued)**

**Officials' Response:**

Proper fund accounts have been created and monies have been applied to correct accounts.

**FINDING NUMBER 2008-011**

**Material Weakness – Management Monitoring of Official Policies**

When designing the public office's system of internal control and the specific control activities, management should consider the following:

- Ensure that all transactions are properly authorized in accordance with management's policies.
- Ensure that accounting records are properly designed.
- Ensure adequate security of assets and records.
- Plan for adequate segregation of duties or compensating controls.
- Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.
- Perform analytical procedures to determine the reasonableness of financial data.
- Ensure the collection and compilation of the data needed for the timely preparation of financial statements.

The small size of the Village does not allow for an adequate segregation of duties. The Fiscal Officer processes all the financial record keeping including receipting, posting, and reconciling to the depository. Bookkeeping errors occurred without the detection of management. It is, therefore, important that Council monitor financial activity.

Council was not always aware of their appropriate administrative responsibilities such as reviewing monthly financial records, reviewing minutes and reviewing bills, as a result, the following weaknesses were noted:

- Monthly financial reports such as budget and actual statements and bank reconciliations were not noted as presented to Council nor were any approvals noted in the Village Council minutes for 2007 or 2008;
- Rates for Village Pool admission were not approved by Village Council in their minutes;
- Village books were not always reconciled to the bank accurately and in a timely manner;
  - No months during the audit period were prepared timely
  - Reconciliations contained unsupported/unknown reconciling items or variances (adjusting items)
  - After proof of cash procedures by the visiting clerk and review by audit personnel at December 31, 2008, an unknown variance of \$3,597 existed between the bank and the Village books. The Village recorded this variance as part of the audit adjustments at December 31, 2008.

**FINDING NUMBER 2008-011  
(Continued)**

- Receipts and expenditures were posted to improper funds or were never posted to the accounting system (adjustments resulting from this are summarized in Finding 2008-007);
- Some manual checks were issued during the audit period;
- Interest and penalties were paid on bills (IRS);
- Only one council member signed voucher packages on 2/40 (5%) expenditures tested;
- In 2008, the minutes record did not have the Council President or Mayor's signature for 5/30 (17%) of the meetings;
- The minutes record did not have the fiscal officer's signature for the following meetings:
  - 2007: 4/28 (14%) of the meetings
  - 2008: 4/30 (13%) of the meetings

The lack of timely financial reports and accurate fund balances significantly reduces Council's ability to monitor Village's financial position. In addition, the lack of control over invoices and goods/services received resulted in late payments to the various vendors. This may create an environment which promotes future fraud or inaccurate financial reporting.

To help strengthen the Village's internal control structure and reduce the likelihood of undetected errors, we recommend Village officials and management implement the following controls:

- Monthly budget and actual financial reports be prepared and submitted to Council. This submission should occur prior to the regular Council meetings so that Council members have an opportunity to review the information and ask informed questions at the Council meetings. Discussion and approval of the monthly financial reports should be documented in the minutes;
- When invoices are received, a comparison should be made between the goods/services included on the invoice and the goods/services received. The official/department head which received the goods should perform this comparison and indicate his/her review by initializing the invoice. The initials indicate the goods/services were received and the invoice is approved for payment. Invoices should be attached to all voucher packets;
- Once invoices have been approved for payment, the Fiscal Officer should issue the corresponding check and stamp the invoice "Paid." The invoice should be filed with the voucher packet;
- Manual checks should not be written unless absolutely necessary. Usage of manual checks resulted in the UAN system check number not matching the actual check number making preparation of the monthly reconciliations difficult;
- Receipts should be posted to the UAN system upon receipt of the monies and/or deposit to ensure that monies are posted to the proper funds;
- Vouchers packets should be approved/signed by two council members;
- Council should ensure that bills be paid on a timely basis to avoid late charges;

**FINDING NUMBER 2008-011  
(Continued)**

- Minutes of Council meetings should be prepared, approved, and available for public inspection in a timely manner. The minutes should also include all actions taken by Council during those meetings. For each regular meeting, the Fiscal Officer should provide Council members with detailed budget and actual financial statements, cash balances, checks paid, outstanding encumbrances, receipts and bank reconciliations. These periodic reviews should be noted in the minutes and documents reviewed should be initialed by the reviewer;
- Officials should periodically review the records to determine accuracy and to assure themselves that proper procedures are followed by the fiscal officer.
- Officials should develop, approve and implement a financial report review process to ensure accurate reporting of Village activity.

**Officials' Response:**

Fiscal officer and some council members have undergone extensive training in procedures involving financial responsibilities.

**FINDING NUMBER 2008-012**

**Significant Deficiency – Management Controls Related to Swimming Pool Receipts**

When designing the public office's system of internal control and the specific control activities, management should consider the following:

- Ensure that all transactions are properly authorized in accordance with management's policies.
- Ensure that accounting records are properly designed.
- Ensure adequate security of assets and records.
- Plan for adequate segregation of duties or compensating controls.
- Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.
- Perform analytical procedures to determine the reasonableness of financial data.
- Ensure the collection and compilation of the data needed for the timely preparation of financial statements.

The Village did not have adequate control procedures over the operation of the swimming pool and related concessions. The following conditions were noted concerning the pool:

- 2007 cash register tapes could not be located.
- In 2008, 68 of 83 (82%) cash register tapes tested did not agree with the Daily Admission Closeout Sheets; deposits exceeded receipts by \$1,490. Also, 6 of 83 (7%) cash register tapes tested were not complete.
- Pool Daily Admission rates change for 2007 and 2008, however no Village Council approval of the rates charged could be located in the minutes.

**FINDING NUMBER 2008-012  
(Continued)**

- There are little or no controls in place for the receipts and deposits of revenue generated from the pool.
  - In 2008, the final day's admissions receipts were not deposited and are unaccounted for. See Finding for Recovery 2008-006 for details.
  - Also in 2008, the two change drawers, totaling \$100, at the pool were not re-deposited at the end of the season. See Finding for Recovery 2008-006 for details.
  - In 2007, the two change drawers, totaling \$100, at the pool were not re-deposited at the end of the season. See Finding for Recovery 2008-005 for details.

Failure to accurately record receipts and maintain pool records could cause receipts and fund balances to be stolen, misappropriated and/or inaccurately recorded in the Village accounting records and financial statements. In order to strengthen internal controls over the pool receipt process and ensure all receipts are properly deposited, we recommend the Village implement the following procedures:

- Controls should be developed and implemented over the receipts and deposit of funds generated at the pool;
- All records related to the pool operations should be retained as required.
- The cash register should be programmed for sale items and the register tape should be reconciled and attached to the daily till report.

**Officials' Response:**

A pool coordinator has been hired and has made major improvements to the pool financial procedures and operations.

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**VILLAGE OF SABINA  
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2006-001	Finding for Recovery – Gerald Strickland Holiday Pay & Payroll Ledger Errors	No	
2006-002	Finding for Recovery – Richard Fouts Holiday Pay & Resignation Pay	No	
2006-003	Finding for Recovery – Bryan Achtermann Holiday Pay & Payroll Ledger Errors	No	
2006-004	Finding for Recovery – Marsha Fisher Holiday Pay & Payroll Ledger Errors	No	
2006-005	Finding for Recovery – Anthony Mitchell Holiday Pay	No	
2006-006	Finding for Recovery – Tommy Little III Holiday Pay & Overtime Pay Errors	No	
2006-007	ORC 5705.09(F) failure to post to proper funds	no	Repeat as Finding 2008-007
2006-008	ORC 733.28 failure to maintain accurate books of the Village	no	Repeat as Finding 2008-007
2006-009	ORC 5705.41(D) failure to properly encumber	no	Repeat as Finding 2008-008
2006-010	ORC 5705.41(B) expenditures exceeding appropriations	yes	
2006-011	ORC 5705.39 & 5705.36(A)(2) appropriations exceeding estimated resources	No	Repeat as Finding 2008-009
2006-012	ORC 5705.12 failure to obtain Auditor of State approval for established funds.	yes	

Village of Sabina  
 Clinton County  
 Schedule of Prior Audit Findings  
 Page 2

2006-013	Material Weakness – Lack of Controls over Village Operations	no	Repeat as Finding 2008-011
2006-014	Material Weakness – Lack of Controls over Village Pool Operations	no	Repeat as Finding 2008-012
2006-015	Material Weakness – Lack of Controls over the Village Payroll Process	no	Moved to Management Letter





**Mary Taylor, CPA**  
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 12, 2010**