



Dave Yost • Auditor of State



VILLAGE OF SABINA  
CLINTON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report .....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012 .....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2012 .....	6
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011 .....	7
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2011 .....	8
Notes to the Financial Statements .....	9
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	17
Schedule of Findings .....	19

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of Sabina, Clinton County, (the Village) as of and for the years ended December 31, 2012 and 2011.

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

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

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our adverse audit opinion and disclaimer of opinion.

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position or cash flows thereof for the years then ended.

***Additional Basis for Adverse Opinion on Governmental Accounting Standards Board Statement 54 presentation***

As discussed in Note 2 to the financial statements, during 2011, the Government did not fully implement the new accounting guidance in Governmental Accounting Standards Board Statement No. 54.

Failure to consolidate activity of funds as required by GASB 54 prohibits proper presentation by fund type and fund balance classification.

***Adverse Opinion on Governmental Accounting Standards Board Statement 54 presentation***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on Governmental Accounting Standards Board Statement 54 presentation* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting standards, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

***Additional Basis for Adverse Opinion on Debt Proceeds***

The Village obtained a loan through the Ohio Water Development Authority (OWDA). The OWDA paid contractors directly for \$1,524,190 in expenditures for work on the project. The Village did not record the debt proceeds or capital outlay expenditures.

Failure to record the activity results in incomplete financial statement activity.

***Adverse Opinion on Debt Proceeds***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on Debt Proceeds* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting standards, the financial activity of the Village as of December 31, 2012 and 2011.

***Basis for Disclaimer of Opinion***

We were unable to obtain sufficient and appropriate audit evidence to determine the accuracy of the financial statement classifications of revenues or disbursements. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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

In our opinion, because of the matters described in the Basis for Disclaimer of Opinion paragraph, the financial statements referred to above do not present fairly, in accordance with accounting standards, the financial activity of the Village as of December 31, 2012 and 2011, the combined cash balances of the Village as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

February 12, 2014

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**VILLAGE OF SABINA  
CLINTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$59,823	\$17,365	\$77,188
Municipal Income Tax	255,636		255,636
Intergovernmental	71,117	119,434	190,551
Special Assessments	373		373
Charges for Services	1,603		1,603
Fines, Licenses and Permits	21,169	1,457	22,626
Earnings on Investments	1,278	92	1,370
Miscellaneous	15,843	5,078	20,921
<i>Total Cash Receipts</i>	<u>426,842</u>	<u>143,426</u>	<u>570,268</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	287,538	34,436	321,974
Public Health Services	715		715
Leisure Time Activities	580		580
Transportation	76,011	82,494	158,505
General Government	186,987	504	187,491
Capital Outlay		867	867
<i>Total Cash Disbursements</i>	<u>551,831</u>	<u>118,301</u>	<u>670,132</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(124,989)</u>	<u>25,125</u>	<u>(99,864)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Other Financing Uses	(13)		(13)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(13)</u>	<u>0</u>	<u>(13)</u>
<i>Net Change in Fund Cash Balances</i>	(125,002)	25,125	(99,877)
<i>Fund Cash Balances, January 1</i>	<u>601,059</u>	<u>197,925</u>	<u>798,984</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	223,050	223,050
Unassigned (Deficit)	<u>476,057</u>	<u>0</u>	<u>476,057</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$476,057</u></u>	<u><u>\$223,050</u></u>	<u><u>\$699,107</u></u>

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

**VILLAGE OF SABINA  
CLINTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$846,945	\$0	\$846,945
<i>Total Operating Cash Receipts</i>	<u>846,945</u>	<u>0</u>	<u>846,945</u>
<b>Operating Cash Disbursements</b>			
Personal Services	144,378	0	144,378
Employee Fringe Benefits	82,959	0	82,959
Contractual Services	366,934	0	366,934
Supplies and Materials	33,927	0	33,927
Other	7,751	0	7,751
<i>Total Operating Cash Disbursements</i>	<u>635,949</u>	<u>0</u>	<u>635,949</u>
<i>Operating Income (Loss)</i>	<u>210,996</u>	<u>0</u>	<u>210,996</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Intergovernmental	569,436		569,436
Special Assessments	7,149		7,149
Sale of Notes	221,293		221,293
Capital Outlay	(677,067)		(677,067)
Principal Retirement	(93,042)		(93,042)
Interest and Other Fiscal Charges	(18,671)		(18,671)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>9,098</u>	<u>0</u>	<u>9,098</u>
<i>Income (Loss) before Transfers</i>	<u>220,094</u>	<u>0</u>	<u>220,094</u>
Transfers In	0	32	32
Transfers Out	(32)	0	(32)
<i>Net Change in Fund Cash Balances</i>	<u>220,062</u>	<u>32</u>	<u>220,094</u>
<i>Fund Cash Balances, January 1</i>	<u>1,330,647</u>	<u>3,156</u>	<u>1,333,803</u>
<i>Fund Cash Balances, December 31</i>	<u>\$1,550,709</u>	<u>\$3,188</u>	<u>\$1,553,897</u>

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

**VILLAGE OF SABINA  
CLINTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$63,173	\$21,692	\$84,865
Municipal Income Tax	235,929	0	235,929
Intergovernmental	164,782	120,807	285,589
Charges for Services	1,976	0	1,976
Fines, Licenses and Permits	27,109	1,278	28,387
Earnings on Investments	2,450	114	2,564
Miscellaneous	6,309	1,488	7,797
<i>Total Cash Receipts</i>	<u>501,728</u>	<u>145,379</u>	<u>647,107</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	294,826	31,997	326,823
Public Health Services	768	0	768
Leisure Time Activities	511	0	511
Transportation	6,770	93,076	99,846
General Government	168,469	604	169,073
Capital Outlay	0	7,000	7,000
<i>Total Cash Disbursements</i>	<u>471,344</u>	<u>132,677</u>	<u>604,021</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>30,384</u>	<u>12,702</u>	<u>43,086</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers Out	(3,000)		(3,000)
Other Financing Uses	(6)		(6)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(3,006)</u>	<u>0</u>	<u>(3,006)</u>
<i>Net Change in Fund Cash Balances</i>	27,378	12,702	40,080
<i>Fund Cash Balances, January 1</i>	<u>573,681</u>	<u>185,223</u>	<u>758,904</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	195,442	195,442
Assigned	0	2,483	2,483
Unassigned (Deficit)	601,059	0	601,059
<i>Fund Cash Balances, December 31</i>	<u>\$601,059</u>	<u>\$197,925</u>	<u>\$798,984</u>

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

**VILLAGE OF SABINA  
CLINTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$884,754		\$884,754
Miscellaneous	1,330		1,330
<i>Total Operating Cash Receipts</i>	<u>886,084</u>	<u>0</u>	<u>886,084</u>
<b>Operating Cash Disbursements</b>			
Personal Services	161,360		161,360
Employee Fringe Benefits	68,051		68,051
Contractual Services	234,977		234,977
Supplies and Materials	39,076		39,076
Other	5,865		5,865
<i>Total Operating Cash Disbursements</i>	<u>509,329</u>	<u>0</u>	<u>509,329</u>
<i>Operating Income (Loss)</i>	<u>376,755</u>	<u>0</u>	<u>376,755</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Intergovernmental	76,977		76,977
Special Assessments	9,040		9,040
Sale of Notes	74,187		74,187
Miscellaneous Receipts	9,499		9,499
Capital Outlay	(173,455)		(173,455)
Principal Retirement	(77,201)		(77,201)
Interest and Other Fiscal Charges	(23,152)		(23,152)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(104,105)</u>	<u>0</u>	<u>(104,105)</u>
<i>Income (Loss) before Transfers</i>	272,650	0	272,650
Transfers In	3,000	39	3,039
Transfers Out	(39)		(39)
<i>Net Change in Fund Cash Balances</i>	275,611	39	275,650
<i>Fund Cash Balances, January 1</i>	<u>1,055,036</u>	<u>3,117</u>	<u>1,058,153</u>
<i>Fund Cash Balances, December 31</i>	<u>\$1,330,647</u>	<u>\$3,156</u>	<u>\$1,333,803</u>

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

**VILLAGE OF SABINA  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**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, 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 accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF SABINA  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011  
(Continued)**

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

**2. Special Revenue Funds**

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

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

**3. 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.

OPWC Sewer Construction Fund - This fund receives loan and grant proceeds from the Ohio Public Works Commission to finance improvements to the Sewer plant.

**4. 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.

**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.

VILLAGE OF SABINA  
CLINTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011  
(Continued)

1. Summary of Significant Accounting Policies (Continued)

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.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

**VILLAGE OF SABINA  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011  
(Continued)**

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

**5. Unassigned**

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

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

**G. 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.

**H. Accumulated Leave**

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

**2. Change in Accounting Principle and Restatement of Net Assets/Fund Equity**

For fiscal year 2011, the Village was to reclassify certain funds as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54. The Village did not implement GASB Statement No. 54 as required.

**3. 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:

	2012	2011
Demand deposits	\$254,618	\$335,752
Other time deposits	400,000	400,000
Total deposits	654,618	735,752
 Money Market Sweep Account	 1,647,968	 1,430,174
Total investments	1,647,968	1,430,174
 Total deposits and investments	 \$2,302,586	 \$2,165,926

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

**VILLAGE OF SABINA  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011  
(Continued)**

**3. Equity in Pooled Deposits and Investments (Continued)**

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

**4. Budgetary Activity**

Budgetary activity for the years ending [End of Years Audited] follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$363,942	\$426,842	\$62,900
Special Revenue	137,780	143,426	5,646
Enterprise	3,730,698	1,644,823	(2,085,875)
Total	\$4,232,420	\$2,215,091	(\$2,017,329)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$937,615	\$551,844	\$385,771
Special Revenue	245,751	118,301	127,450
Enterprise	4,562,796	1,424,761	3,138,035
Total	\$5,746,162	\$2,094,906	\$3,651,256

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$497,172	\$501,728	\$4,556
Special Revenue	150,197	145,379	(4,818)
Enterprise	1,192,636	1,058,787	(133,849)
Total	\$1,840,005	\$1,705,894	(\$134,111)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$673,118	\$474,350	\$198,768
Special Revenue	180,190	132,677	47,513
Enterprise	1,519,117	783,176	735,941
Total	\$2,372,425	\$1,390,203	\$982,222

**VILLAGE OF SABINA  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011  
(Continued)**

**5. Property Tax**

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

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

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

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

**6. Local Income Tax**

The Village levies a municipal income tax of one 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.

**7. Debt**

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA - 1871	\$197,529	8.07%
OPWC - CT46M	394,956	0%
OPWC - CJ02N	286,600	0%
Total	<u>\$879,085</u>	

The Ohio Water Development Authority (OWDA) loan was approved in 1991 and relates to a sewer plant expansion project. The OWDA disbursed \$962,621 to the Village for this project at 8.07% interest. The Village is to repay the loan in semiannual installments of \$45,359, including interest, over 25 years. The loan is secured by utility fund customer charges for services.

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

**VILLAGE OF SABINA  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011  
(Continued)**

**7. Debt (Continued)**

The Village received a loan in the amount of \$213,517 from the OWDA (#5930) for designing the improvements for its wastewater treatment plant. The loan was paid off in 2012 with OWDA loan #6240 which was received for Phase 3 of the improvements of the wastewater treatment plant and for the School Pump Station/Force Main Project. The total of the OWDA loan for the project will be \$3,219,780 with an interest rate of 1%. Of the total cost, \$1,797,948 are federal funds of which \$480,390 were disbursed during 2012. The loan has not been fully disbursed as of December 31, 2012. The Village is to repay the loan in semiannual installments of \$80,494.50, including interest, over 20 years. The loan is collateralized by wastewater service charges.

The Village entered into a loan (CJ02N) with OPWC in 2010 for Phase II of the wastewater system improvements – Park and Rose Avenue. The loan is in the amount of \$286,600 at 0% interest. The loan was fully disbursed at December 31, 2012, however the construction is not complete and repayment has not yet been initialized by the OPWC. The Village is to repay the loan in semiannual installments of \$7,165 over 20 years.

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

Year ending December 31:	OWDA 1871	OPWC CT46M	OWDA 6240	OPWC CJ02N
2013	\$88,604	21,349	Not Yet	Not Yet
2014	89,404	21,349	Available*	Available**
2015	44,910	21,349		
2016		21,349		
2017		21,349		
2018-2022		106,745		
2023-2027		106,745		
2028-2032		74,722		
Total	\$222,918	\$394,957	\$0	\$0

\*OWDA Loan #6240 has not been fully drawn as of December 31, 2012. As such, a final amortization schedule is not available.

\*\*OPWC Loan CJ02N repayment billing has not yet been approved for the Village. As such, a final amortization schedule by year is not yet available.

**8. 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.

**VILLAGE OF SABINA  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011  
(Continued)**

**8. Retirement Systems (Continued)**

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

**9. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

The Village is uninsured for the following risks:

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



# Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Sabina, Clinton County, Ohio (the Government), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated February 12, 2014, wherein we noted the Government followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We did not opine on the classification of receipts or disbursements for all fund types because audit evidence did not support the reported classifications.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Government's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Government's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Government's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-001 through 2012-005 described in the accompanying schedule of findings to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Government's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-001 through 2012-004.

***Entity's Response to Findings***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Government's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Government's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

February 12, 2014

VILLAGE OF SABINA  
CLINTON COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011

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

FINDING NUMBER 2012-001

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Administrative Code Section 117-2-02 requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Village uses the UAN accounting system to prepare financial statements. The UAN chart of accounts includes the expenditure program codes for many common restricted funds. Revenue and expenditures must be properly coded in the UAN system to be properly classified on the financial statements. The Village did not accurately code receipts and disbursements resulting in classification errors on the financial statements. Failure to have properly classified financial statements can mislead the users on the activity of the Village.

The Village had known errors that resulted in the following misstatements on the financial statements:

- Payroll did not have proper support to prorate. See finding 2012-003
- The fund balances were not reconciled to the bank statements. See finding 2012-004
- The Special assessments were not posted to the proper funds See finding 2012-002
- The Unclaimed Money Fund was not presented as part of the General Fund in accordance with GASB statement 54 and clarified by Auditor of State Bulletin 2011-004. See finding 2012-005
- The Village did not record the revenue or disbursements for \$1,524,190 in disbursements made to vendors by OWDA during 2012 for sewer projects. The funds were paid from a loan that was administered by OWDA and should have been recorded as debt proceeds and capital outlay.
- The Village duplicated posting of \$18,947 in pass through funding from OPWC which resulted in overstated expenditures and revenues.
- OWDA pass-through funding totaling \$57,435 in 2011 and \$205,250 in 2012 was recorded with account codes that would be presented as Contractual Services, but should have been Capital Outlay.
- Intergovernmental revenue such as tangible personal property tax reimbursement, public utilities reimbursements, and homestead reimbursements were posted to account codes that were presented as taxes.
- Non-Payroll testing identified \$144,358 expenditures with known classification errors due to program codes. Projected classification errors from the sample totaled \$389,714.

**FINDING NUMBER 2012-001  
(Continued)**

We recommend that the Village implement controls to ensure that the records indicate the activity of the Village and code all transactions using the UAN Chart of Accounts to ensure that the expenditures are classified correctly on the financial statements. The Village should also establish effective review procedures for transactions posted to the accounting records and the financial statements. This will allow the Village to present accurate financial statements.

**Officials' Response:**

Direct payments to Contractor from OWDA loans #5960 & #6240 have previously been registered as restricted funds and capital outlay expenditures in the amount of \$1,524,189.78.

Our goal within the Village of Sabina is to meet and comply with the regulations of the Ohio Revised Code. As a new Fiscal Officer, I welcome any and all suggestions, guidance of ways to improve upon the procedures set forth for the responsibility of providing accurate Financial Statements for this entity.

**FINDING NUMBER 2012-002**

**NONCOMPLIANCE AND MATERIAL WEAKNESS**

Ohio Revised Code 5705.09(G) requires the Village to account for the activity related to the utilities in separate funds. The Village received a settlement for fees that were assessed to the tax duplicate. Part of the settlement was for delinquent water and sewer charges. When the Village receipted the \$3,680 received for assessments, it was posted as a net amount entirely to the General Fund as tax revenue. The General Fund amount should have been posted as a special assessment with a gross amount of \$142 and posted fees of \$4 for a net amount of \$138. The Sewer Fund should have received a gross amount of \$3,323 and posted fees of \$97 for a net amount of \$3,226. The Water Fund should have received a gross amount of \$325 and posted fees of \$9 for a net amount of \$316.

We recommend the Village thoroughly review settlements to ensure that they are posted to the proper funds.

In accordance with the foregoing we hereby issue a finding for adjustment in the amount of \$3,542 against the General Fund and in favor of the Water Fund, \$316 and Sewer Fund, \$3,226.

**Officials' Response:**

Special Assessments: failure to post correctly has been noted and measurers taken to apply revenue to correct funds are in place.

**FINDING NUMBER 2012-003**

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Revised Code 5705.10 provides that money paid into a fund shall be used only for the purpose for which such fund is established. Time spent should be carefully documented and verified as eligible for payment on the fund from which it is drawn. If circumstances are such that it is impossible to prorate employees' time, then none of their compensation may be paid from a fund other than the General Fund. Failure to adequately document time could result in restricted funds paying for work that is not within the restrictions placed on the funds. The Village did not maintain adequate documentation to prorate the amount of time spent performing duties in the Street, Water, and Sewer functions of the Village. We identified payroll and related expenditures totaling \$241,131 in 2011 and \$240,579 in 2012 that did not have adequate support to prorate amounts to the special revenue and enterprise funds.

We recommend that the Village implement controls to ensure that only expenditures that have been documented and verified are charged to restricted funds.

In accordance with the foregoing we hereby issue a finding for adjustment in the amount of \$481,709 against the General Fund and in favor of the Street Construction Maintenance Repair Fund, \$92,525; Water Fund, \$184,029; Sewer Fund, \$197,291; Police Disability and Pension Fund, \$2,179; and Swimming Pool Fund, \$5,685.

**Official's Response:**

Controls have readily been implemented in the year of 2013 to correct non-compliance issues. All utility associates are required to keep and log supporting information in Daily Record Books. The duties and times of jobs performed daily are to be documented to support the transfer of hours charged accordingly to Bi-Weekly time sheets. Withholdings will follow appropriately payable through the payroll side in UAN. Verification of adjustment of wages charged to restricted funds in the years of 2011 & 2012 are currently being processed.

**FINDING NUMBER 2012-004**

NONCOMPLIANCE AND MATERIAL WEAKNESS

OAC 117 requires the Village to present accurate financial statements. The fund balances were not reconciled to the bank. We identified an OPERS payment for \$4,225 that was not recorded in the UAN system. OPERS refunded the payment which was receipted as Miscellaneous Revenue in the General Fund. Had the expenditure been recorded, the refund should have been recorded as a reduction of an expenditure. The recorded activity resulted in an overstatement of revenues and misstatement of fund balance. We identified two withholding payments totaling \$1,752; \$840 to General Fund, \$600 to Water Fund, and \$312 to the sewer fund that were recorded in the system in duplicate. This caused an overstatement of expenditures for each fund.

We recommend the Village perform bank reconciliations monthly to help ensure financial statements include the actual activity of the Village.

In accordance with the foregoing we hereby issue a finding for adjustment in the amount of \$3,385 (\$4,225 reduction of expenditure not recorded and \$840 double posted) against the General fund and in favor of the Water Fund, \$600; and Sewer Fund, \$312.

**FINDING NUMBER 2012-004  
(Continued)**

**Officials' Response:**

Bank Statement adjustments have been made per the Audit findings. All months are current & balanced. January of 2014 balanced within .01 with a voucher adjustment due to rounding.

**FINDING NUMBER 2012-005**

MATERIAL WEAKNESS

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

**Nonspendable Fund Balance-** The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. (GASB 54 ¶6)

**Restricted Fund Balance-** The restricted classification is used when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments (i.e., State Statutes); or (b) imposed by law through constitutional provisions (City Charter) or enabling legislation. (GASB 54 ¶8)

**Committed Fund Balance-** The committed fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. (GASB 54 ¶10)

**Assigned Fund Balance-** Assigned fund balance includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed (GASB 54 ¶13).

**Unassigned Fund Balance-** Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund (GASB 54 ¶17).

The Village has not formally adopted a policy to define whether the Village considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Additionally, the unclaimed money fund activity should be presented with the activity of the General fund. Auditor of State Bulletin 2011-004 clarifies the impact of GASB 54 on Ohio governmental units and provides guidance on implementation.

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

**We received no response from officials to this finding.**



# Dave Yost • Auditor of State

VILLAGE OS 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  
MARCH 11, 2014