

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

*Financial Statements
(Audited)*

For The Years Ended
December 31, 2013 and 2012

RICHARD D. GIROUX, VILLAGE MANAGER



Dave Yost • Auditor of State

Village Council
Village of Sebring
135 East Ohio Avenue
Sebring, Ohio 44672

We have reviewed the *Independent Auditor's Report* of the Village of Sebring, Mahoning County, prepared by Julian & Grube, Inc., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

September 10, 2014

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**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Members of Council and Mayor:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Sebring, Mahoning County, Ohio, as of and for the years ended December 31, 2013 and 2012.

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 statements misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village of Sebring'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 of Sebring'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 audit opinion.

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

As described in Note 2 of the financial statements, the Village of Sebring 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 these requirements.

Members of Council and Mayor
Village of Sebring
Page Two

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village of Sebring as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Sebring, Mahoning County, Ohio, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Matters

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Federal Awards Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. We subjected this schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2014, on our consideration of the Village of Sebring'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 of Sebring's internal control over financial reporting and compliance.



Julian & Grube, Inc.
June 27, 2014

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash receipts:				
Property and other local taxes	\$ 180,400	\$ 239,546	\$ -	\$ 419,946
Income tax	1,178,553	132,685	249,759	1,560,997
Intergovernmental	472,780	181,314	-	654,094
Special assessments	46	-	-	46
Charges for services	84,491	144,210	8,066	236,767
Fines, licenses, and permits	70,722	-	-	70,722
Interest	45	-	-	45
Miscellaneous	44,320	14,919	2,543	61,782
Total cash receipts	<u>2,031,357</u>	<u>712,674</u>	<u>260,368</u>	<u>3,004,399</u>
Cash disbursements:				
Current:				
Security of persons and property	810,838	132,731	-	943,569
Public health services	12,509	-	-	12,509
Leisure time activities	-	133,556	-	133,556
Community environment	10,500	-	-	10,500
Transportation	-	226,235	-	226,235
General government	626,853	77,438	3,896	708,187
Capital outlay	-	36,087	89,650	125,737
Debt service:				
Principal retirement	147,198	-	249,000	396,198
Interest	36,721	-	7,444	44,165
Total cash disbursements	<u>1,644,619</u>	<u>606,047</u>	<u>349,990</u>	<u>2,600,656</u>
Excess of receipts over/(under) disbursements	<u>386,738</u>	<u>106,627</u>	<u>(89,622)</u>	<u>403,743</u>
Other financing receipts/(disbursements):				
Proceeds from sale of bonds	-	-	200,000	200,000
Operating transfers in	-	52,000	-	52,000
Operating transfers out	(73,204)	-	-	(73,204)
Advances out	(65,000)	-	-	(65,000)
Other sources	12,113	-	-	12,113
Total other financing receipts/(disbursements)	<u>(126,091)</u>	<u>52,000</u>	<u>200,000</u>	<u>125,909</u>
Net change in fund cash balances	260,647	158,627	110,378	529,652
Fund cash balances, January 1, 2013	<u>494,631</u>	<u>281,781</u>	<u>32,097</u>	<u>808,509</u>
Fund cash balances:				
Restricted	-	298,369	-	298,369
Committed	3,071	142,039	142,475	287,585
Unassigned	752,207	-	-	752,207
Fund cash balances, December 31, 2013	<u>\$ 755,278</u>	<u>\$ 440,408</u>	<u>\$ 142,475</u>	<u>\$ 1,338,161</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS) - PROPRIETARY FUND TYPE
AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2013

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Charges for services	\$ 1,601,264	\$ -	\$ 1,601,264
Other miscellaneous	34,897	-	34,897
Total operating cash receipts	<u>1,636,161</u>	<u>-</u>	<u>1,636,161</u>
Operating cash disbursements:			
Personal services	441,683	-	441,683
Employee fringe benefits	167,354	-	167,354
Contractual services	934,778	-	934,778
Supplies and material	189,857	-	189,857
Miscellaneous	26	8,806	8,832
Total operating cash disbursements	<u>1,733,698</u>	<u>8,806</u>	<u>1,742,504</u>
Operating income (loss)	<u>(97,537)</u>	<u>(8,806)</u>	<u>(106,343)</u>
Nonoperating cash receipts/(disbursements):			
Proceeds of notes	513,502	-	513,502
Intergovernmental receipts	510,000	-	510,000
Capital outlay	(558,777)	-	(558,777)
Debt service:			
Principal	(223,314)	-	(223,314)
Interest	(115,934)	-	(115,934)
Total nonoperating cash receipts/(disbursements)	<u>125,477</u>	<u>-</u>	<u>125,477</u>
Income (loss) before transfers and advances	27,940	(8,806)	19,134
Transfers in	381,656	-	381,656
Transfers out	(360,452)	-	(360,452)
Advances In	90,000	-	90,000
Advances Out	<u>(25,000)</u>	<u>-</u>	<u>(25,000)</u>
Net change in fund cash balances	114,144	(8,806)	105,338
Fund cash balances, January 1, 2013	<u>174,532</u>	<u>10,314</u>	<u>184,846</u>
Fund cash balances, December 31, 2013	<u>\$ 288,676</u>	<u>\$ 1,508</u>	<u>\$ 290,184</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

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

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash receipts:				
Property and other local taxes	\$ 190,964	\$ 232,636	\$ -	\$ 423,600
Income tax	1,162,338	130,860	245,603	1,538,801
Intergovernmental	182,476	182,168	-	364,644
Special assessments	29	-	-	29
Charges for services	78,932	145,417	7,416	231,765
Fines, licenses, and permits	69,253	-	-	69,253
Interest	55	-	-	55
Miscellaneous	13,189	13,498	-	26,687
Total cash receipts	<u>1,697,236</u>	<u>704,579</u>	<u>253,019</u>	<u>2,654,834</u>
Cash disbursements:				
Current:				
Security of persons and property	746,308	128,338	-	874,646
Public health services	12,523	-	-	12,523
Leisure time activities	-	162,527	-	162,527
Basic utility services	-	-	83,000	83,000
Transportation	-	284,966	-	284,966
General government	441,163	68,815	-	509,978
Capital outlay	-	225,600	20,634	246,234
Debt service:				
Principal retirement	161,276	-	345,200	506,476
Interest	44,615	-	14,446	59,061
Total cash disbursements	<u>1,405,885</u>	<u>870,246</u>	<u>463,280</u>	<u>2,739,411</u>
Excess of receipts over/(under) disbursements	<u>291,351</u>	<u>(165,667)</u>	<u>(210,261)</u>	<u>(84,577)</u>
Other financing receipts/(disbursements):				
Proceeds from sale of bonds	-	-	229,000	229,000
Operating transfers in	-	39,591	-	39,591
Operating transfers out	(39,591)	-	-	(39,591)
Advances out	(215,000)	-	-	(215,000)
Other sources	16,744	-	-	16,744
Total other financing receipts/(disbursements)	<u>(237,847)</u>	<u>39,591</u>	<u>229,000</u>	<u>30,744</u>
Net change in fund cash balances	53,504	(126,076)	18,739	(53,833)
Fund cash balances, January 1, 2012	<u>441,127</u>	<u>407,857</u>	<u>13,358</u>	<u>862,342</u>
Fund cash balances:				
Restricted	-	181,639	-	181,639
Committed	19,000	100,142	32,097	151,239
Assigned	77,879	-	-	77,879
Unassigned	397,752	-	-	397,752
Fund cash balances, December 31, 2012	<u>\$ 494,631</u>	<u>\$ 281,781</u>	<u>\$ 32,097</u>	<u>\$ 808,509</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

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

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Charges for services	\$ 1,615,525	\$ -	\$ 1,615,525
Other miscellaneous	775	12,805	13,580
Total operating cash receipts	<u>1,616,300</u>	<u>12,805</u>	<u>1,629,105</u>
Operating cash disbursements:			
Personal services	445,180	-	445,180
Employee fringe benefits	145,862	-	145,862
Contractual services	603,620	-	603,620
Supplies and material	153,056	-	153,056
Miscellaneous	358	4,000	4,358
Total operating cash disbursements	<u>1,348,076</u>	<u>4,000</u>	<u>1,352,076</u>
Operating income (loss)	<u>268,224</u>	<u>8,805</u>	<u>277,029</u>
Nonoperating cash receipts/(disbursements):			
Capital outlay	(30,214)	-	(30,214)
Debt service:			
Principal	(218,972)	-	(218,972)
Interest	(127,520)	-	(127,520)
Total nonoperating cash receipts/(disbursements)	<u>(376,706)</u>	<u>-</u>	<u>(376,706)</u>
Income (loss) before transfers and advances	(108,482)	8,805	(99,677)
Transfers in	364,501	-	364,501
Transfers out	(364,501)	-	(364,501)
Advances in	<u>215,000</u>	<u>-</u>	<u>215,000</u>
Net change in fund cash balances	106,518	8,805	115,323
Fund cash balances, January 1, 2012	<u>68,014</u>	<u>1,509</u>	<u>69,523</u>
Fund cash balances, December 31, 2012	<u>\$ 174,532</u>	<u>\$ 10,314</u>	<u>\$ 184,846</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 1 - DESCRIPTION OF THE ENTITY

The Village of Sebring (the “Village”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Village operates under a council-manager form of government and provides the following services: park operations, fire services, police services, water and sewer utility services, street maintenance and repair, as well as other general government services.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village officials are financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant of the Village’s accounting policies are described below.

A. FUND ACCOUNTING

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

Governmental Fund Type:

General Fund

The general fund accounts for and reports all financial resources not accounted for and reported in another fund.

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.

Capital Projects Funds

These funds account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following capital project fund:

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Capital Improvement Fund - This fund receives a portion of the Village's income tax receipts for equipment purchase and repair, improvements to the Village's buildings and other structures, miscellaneous projects and street projects.

Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant enterprise funds:

Water Works System Fund - This fund receives charges for services from residents to cover water service costs.

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

Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village did not have private purpose trust funds.

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

B. BASIS OF ACCOUNTING

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

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

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. BUDGETARY PROCESS

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

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must 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 cancelled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2013 and 2012 budgetary activity appears in Note 14.

D. 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.

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 of 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.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in 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.

E. CASH AND CASH EQUIVALENTS

For reporting purposes, the Village considers “Cash and Cash Equivalents” to be cash on hand, demand deposits, and all investments held by the Village with a maturity date less than or equal to three months from the date of purchase. Interest earned on investments held by the Village is credited to its respective funds. Interest income earned and received by the Village totaled \$45 and \$55 for the years ended December 31, 2013 and 2012, respectively.

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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. INTERFUND TRANSACTIONS

During the course of normal operations, the Village had transactions between funds. The most significant include transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers. Advances are temporary loans to other funds which will ultimately be repaid.

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.

NOTE 3 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The Village maintains a cash and cash equivalent pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and cash equivalents at December 31, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Deposits: Demand Deposits	<u>\$ 1,628,345</u>	<u>\$ 993,355</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

NOTE 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.

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 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.

NOTE 5 - DEBT OBLIGATIONS

At December 31, 2013 and 2012, debt obligations consisted of the following issuances:

<u>Description</u>	<u>Balance 12/31/13</u>	<u>Balance 12/31/12</u>
Waterworks System - 1 st Mortgage Revenue Bond for improvements to the Village's waterworks system due in annual installments of varying amounts through 2022 bearing interest of 5.00%.	\$1,506,000	\$1,634,000
Ohio Public Works Commission (OPWC) loan for a carbon filtration system, not complete as of December 31, 2013.	529,426	119,400
Ohio Public Works Commission (OPWC) note for the Downtown Revitalization project, due in semiannual installments of \$9,362, through 2026, bearing no interest.	243,411	252,773
Ohio Water Development Authority (OWDA) Waste Water Treatment Plant Phase II note for the improvements to the sewer treatment plant due in semiannual installments of \$26,659, through 2024, bearing interest of 4.84%.	434,889	466,024
OWDA Note for a Headworks Bypass and Sewer Rehabilitation Project due in semiannual installments of \$38,114 through 2030, bearing interest of 1.00%.	1,156,880	1,221,059
Streetscape Improvement Bonds for certain downtown economic revitalization improvements, including streetscape improvements to Maryland and Ohio Avenues in the Village, due in semiannual payments of \$30,000 plus interest, through 2023, bearing interest of 5.38%.	570,000	630,000
Downtown Economic Revitalization Improvement Bonds, Series 2003B for general parks improvements including the acquisition and renovation of a building known as the Stringray Building, due in semiannual payments of \$7,017, through 2013, bearing interest of 6.94%.	-	13,336

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 5 - DEBT OBLIGATIONS - (Continued)

<u>Description</u>	<u>Balance 12/31/13</u>	<u>Balance 12/31/12</u>
Downtown Economic Revitalization Improvement Bonds, Series 2003B for paying part of the cost of downtown economic revitalization improvements, including streetscape improvements to Maryland and Ohio Avenues, due in semiannual payments of \$12,684, through 2013, bearing interest of 4.76%.	-	24,492
Economic Development Revenue Bonds, Series 2003A for the Village to make loans as part of the revolving loan fund for economic development, due in semiannual payments of \$21,051, through 2013, bearing interest of 6.94%.	-	40,008
Street Improvement Bond Anticipation Note for the partial cost of street improvements, due in annual installments of \$20,000 plus interest, through 2014 bearing interest of 5.11%.	20,000	40,000
Various Purpose Bond Anticipation Note, Series 2012 (renewal) for the partial cost of the economic revitalization improvements to the park and downtown, due in 2013, bearing interest of 4%	-	229,000
Various Purpose Bond Anticipation Note, Series 2013 (renewal) for the partial cost of the economic revitalization improvements to the park and downtown, due in full in one year, bearing interest of 4%	200,000	-
OWDA - WWTP Improvements, not complete as of December 31, 2013	<u>103,476</u>	<u> -</u>
Total	<u>\$4,764,082</u>	<u>\$4,670,092</u>

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 5 - DEBT OBLIGATIONS - (Continued)

Transactions for the years ended December 31, 2013 and 2012 are summarized follows:

2013	Fund Type	Balance at 12/31/12	Proceeds	Retirements	Balance at 12/31/13
Waterworks System - 1st Mortgage Revenue Bond	Enterprise	\$ 1,634,000	\$ -	\$ (128,000)	\$ 1,506,000
Downtown Revitalization - OPWC	General	252,773	-	(9,362)	243,411
Wastewater Treatment Plant Phase II - OWDA	Enterprise	466,024	-	(31,135)	434,889
OWDA Headworks and Sewer Project	Enterprise	1,221,059	-	(64,179)	1,156,880
Streetscape Improvement Bonds	General	630,000	-	(60,000)	570,000
Economic Development Revenue Bonds - 2003B	General	13,336	-	(13,336)	-
Economic Development Revenue Bonds - 2003B	General	24,492	-	(24,492)	-
Economic Development Revenue Bonds - 2003A	General	40,008	-	(40,008)	-
Street Improvement BAN	Capital Projects	40,000	-	(20,000)	20,000
Various Purpose BAN - 2012	Capital Projects	229,000	-	(229,000)	-
Various Purpose BAN - 2013	Capital Projects	-	200,000	-	200,000
OPWC Loan - Carbon Filtration	Enterprise	119,400	410,026	-	529,426
OWDA - #6487 WWTP Improvements	Enterprise	-	103,476	-	103,476
Total		\$ 4,670,092	\$ 713,502	\$ (619,512)	\$ 4,764,082

2012	Fund Type	Balance at 12/31/11	Proceeds	Retirements	Balance at 12/31/12
Waterworks System - 1st Mortgage Revenue Bond	Enterprise	\$ 1,760,000	\$ -	\$ (126,000)	\$ 1,634,000
Downtown Revitalization - OPWC	General	280,859	-	(28,086)	252,773
Wastewater Treatment Plant Phase II - OWDA	Enterprise	495,705	-	(29,681)	466,024
OWDA Headworks and Sewer Project	Enterprise	1,284,350	-	(63,291)	1,221,059
Streetscape Improvement Bonds	General	690,000	-	(60,000)	630,000
Economic Development Revenue Bonds - 2003B	General	25,792	-	(12,456)	13,336
Economic Development Revenue Bonds - 2003B	General	47,857	-	(23,365)	24,492
Economic Development Revenue Bonds - 2003A	General	77,377	-	(37,369)	40,008
Real Estate Acquisition BAN	Capital Projects	45,200	-	(45,200)	-
Street Improvement BAN	Capital Projects	60,000	-	(20,000)	40,000
Various Purpose BAN - 2011	Capital Projects	280,000	-	(280,000)	-
Various Purpose BAN - 2012	Capital Projects	-	229,000	-	229,000
OPWC Loan - Carbon Filtration	Enterprise	119,400	-	-	119,400
Total		\$ 5,166,540	\$ 229,000	\$ (725,448)	\$ 4,670,092

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 5 - DEBT OBLIGATIONS - (Continued)

The principal and interest requirements to retire the debt obligations outstanding at December 31, 2013 follow:

Year Ending December 31,	Waterworks System		Downtown Revitalization OPWC		WWTP Phase II OWDA		Streetscape Improvement Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 139,000	\$ 75,300	\$ 18,724	\$ -	\$ 16,135	\$ 10,524	\$ 60,000	\$ 29,859
2015	141,000	68,350	18,724	-	33,450	19,868	60,000	26,631
2016	153,000	61,300	18,724	-	35,089	18,229	60,000	23,403
2017	156,000	53,650	18,724	-	36,808	16,510	60,000	20,175
2018	168,000	45,850	18,724	-	38,611	14,707	60,000	16,947
2019 - 2023	749,000	95,800	93,620	-	223,353	43,243	270,000	36,315
2024 - 2026	-	-	56,171	-	51,443	1,875	-	-
TOTALS	\$ 1,506,000	\$ 400,250	\$ 243,411	\$ -	\$ 434,889	\$ 124,956	\$ 570,000	\$ 153,330

Year Ending December 31,	OWDA Headworks Bypass & Sewer Rehabilitation		Street Improvement BAN		2013 BAN		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 32,330	\$ 5,784	\$ 20,000	\$ 1,022	\$ 200,000	\$ 8,000	\$ 486,189	\$ 130,489
2015	65,146	11,083	-	-	-	-	318,320	125,932
2016	65,800	10,430	-	-	-	-	332,613	113,362
2017	66,460	9,770	-	-	-	-	337,992	100,105
2018	67,125	9,104	-	-	-	-	352,460	86,608
2019 - 2023	345,858	35,287	-	-	-	-	1,681,831	210,645
2024 - 2028	363,546	17,602	-	-	-	-	471,160	19,477
2029 - 2030	150,615	1,887	-	-	-	-	150,615	1,887
TOTALS	\$ 1,156,880	\$ 100,947	\$ 20,000	\$ 1,022	\$ 200,000	\$ 8,000	\$ 4,131,180	\$ 788,505

The OPWC Loan for the Carbon Filtration System and the OWDA Loan for WWTP Improvements have not been completely disbursed and thus there are no amortization schedules available.

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 6 - DEBT COVENANT

The Village's Water Works System revenue bond debt covenant requires the Village to maintain a Water Works System 1st Mortgage Revenue Fund, a Water Works System Debt Service Fund, and a Water Works System Reserve Fund. The debt covenant further requires the following: the Village must first pay all reasonable and proper expenses of operating and maintaining the Water Works fund; second, the Village must monthly, deposit 1/12th of the next ensuing principal and interest payment into the Water Works System Debt Service Fund; third, out of the remaining balance the Village must make up any previous deficiency in any monthly allocation; and fourth, out of the remaining balance of income and revenue after the previous allocations required are made, deposit in the Water Works System Reserve Fund the sum of \$1,767 each month until there is accumulated in the fund the sum of \$212,040 after which no further deposits need be made into said Water Works System Reserve Fund except to replace withdrawals. Whenever disbursements are made from the Water Works Reserve Fund, monthly payments in the amount of \$1,767 each shall be resumed until there is again accumulated in the fund the maximum amount of \$212,040, at which time payments may be discontinued. The balance in the debt reserve fund at December 31, 2013 and 2012 was \$65,379 and \$22,971, respectively. For the years ended December 31, 2013 and 2012, the required funds existed and were properly funded.

NOTE 7 - LEASE-PURCHASE AGREEMENT

In 2012, the Village entered into a lease-purchase agreement with OshKosh Capital for a 2012 Pierce Impel Fire Truck. The equipment purchase price was \$452,149 and rendered a prepay discount in the amount of \$16,109 with the balance of \$436,040 to be financed over 10 years. The payments of principal and interest for the years ended December 31, 2013 and 2012 in the amounts of \$20,195 and \$8,073 and \$200,000 and \$0, respectively are paid from the Special Revenue fund type, Fire Levy fund, capital outlay line item on the financial statements.

Future principal and interest payments for the lease purchase agreement for the fire truck are as follows:

Year Ending December 31,	Principal	Interest
2014	\$ 20,885	\$ 7,382
2015	21,600	6,668
2016	22,338	5,929
2017	23,102	5,165
2018	23,893	4,375
2019 - 2022	104,027	9,045
TOTALS	<u>\$ 215,845</u>	<u>\$ 38,564</u>

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 8 - RETIREMENT SYSTEMS

The Village's law enforcement officers belong to either the Ohio Police and Fire Pension Fund (OP&F) or the Ohio Public Employees' Retirement System (OPERS). Other full-time employees belong to the Ohio Public Employees' Retirement System (OPERS) of Ohio. 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. From January 1, 2012 through June 30, 2013, OP&F participants contributed 10% of their annual covered salary. From July 1, 2013 through December 31, 2013, plan members were required to contribute 10.75% of their annual covered salary. For 2013 and 2012, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of covered payroll. The Village had paid all contributions required through December 31, 2013.

NOTE 9 - RISK MANAGEMENT

A. Property and Other

For 2013 and 2012, the Village obtained commercial insurance for the following risks:

- General liability and casualty
- Public official's liability
- Property (fleet and fire)

Settlement amounts did not exceed insurance coverage for the past three fiscal years. There has been no significant reduction in insurance coverages from coverages in prior year.

B. Medical

For 2013 and 2012, the Village provided traditional health, life, disability, and prescription insurance to full-time employees through a private carrier.

NOTE 10 - CONTINGENT LIABILITY

LITIGATION

The Village is currently not involved in litigation for which the Village's legal counsel anticipates a loss. The Village is currently developing a plan for submission to the Ohio EPA in accordance with orders to make improvements to its water plant and distribution system.

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 10 - CONTINGENT LIABILITY - (Continued)

GRANTS

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

NOTE 11 - INTERFUND TRANSACTIONS

The Village had the following interfund transactions for the year ended December 31, 2013:

<u>Fund Type/Fund</u>	<u>Advances In</u>	<u>Advances Out</u>
General	\$ -	\$ 65,000
Enterprise Funds:		
Water Works System	-	25,000
WTP Carbon Filter	25,000	-
WWTP Phosphorus Removal	65,000	-
Total Enterprise Funds	<u>90,000</u>	<u>25,000</u>
Total Advances	<u>\$ 90,000</u>	<u>\$ 90,000</u>

These advances were made in order to fund disbursements of the Village's WTP Carbon Filter project and WWTP Phosphorus Removal project prior to the receipt of grant funding and loan proceeds from the Ohio Public Works Commission and the Ohio Water Development Authority and will be paid back in 2014.

<u>Fund Type/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 73,204
Special Revenue Fund:		
Street Construction, Maintenance and Repair	52,000	-
Total Special Revenue Fund	<u>52,000</u>	<u>-</u>
Enterprise Funds:		
Water Works System	-	230,904
Water 1st Mortgage	209,700	-
Water Debt Reserve	42,408	-
Sewer	-	129,548
Sewer 1st Mortgage	129,548	-
Total Enterprise Funds	<u>381,656</u>	<u>360,452</u>
Total Transfers	<u>\$ 433,656</u>	<u>\$ 433,656</u>

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 11 - INTERFUND TRANSACTIONS - (Continued)

Transfers from the general fund are used to subsidize other funds' activities. The transfers from the water works system fund to the water debt reserve fund and the water 1st mortgage fund and from the sewer fund to the sewer 1st mortgage fund are for the retirement of the debt and debt reserve requirements as described in the Village's debt covenants.

The Village had the following interfund transactions for the year ended December 31, 2012:

<u>Fund Type/Fund</u>	<u>Advances In</u>	<u>Advances Out</u>
General	\$ -	\$ 215,000
Enterprise Funds:		
Water Works System	155,000	-
Sewer	60,000	-
Total Enterprise Funds	215,000	-
Total Advances	<u>\$ 215,000</u>	<u>\$ 215,000</u>

These advances were made temporarily and are intended to be repaid.

<u>Fund Type/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 39,591
Special Revenue Funds:		
Street Construction, Maintenance and Repair	35,000	-
Recreation	1,391	-
Fire Levy	3,200	-
Total Special Revenue Funds	39,591	-
Enterprise Funds:		
Water Works System	-	235,204
Water 1st Mortgage	214,000	-
Water Debt Reserve	21,204	-
Sewer	-	129,297
Sewer 1st Mortgage	129,297	-
Total Enterprise Funds	364,501	364,501
Total Transfers	<u>\$ 404,092</u>	<u>\$ 404,092</u>

Transfers from the general fund are used to subsidize other funds' activities. The transfers from the water works system fund to the water debt reserve fund and the water 1st mortgage fund and from the sewer fund to the sewer 1st mortgage fund are for the retirement of the debt and debt reserve requirements as described in the Village's debt covenant.

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 11 - INTERFUND TRANSACTIONS - (Continued)

All transfers were in accordance with Sections 5705.14, 5705.15, 5705.16 of the Ohio Revised Code.

NOTE 12 - COMPLIANCE

- A. The Village did not timely certify expenditures for the years ended December 31, 2013 and December 31, 2012 in noncompliance with Ohio Revised Code Section 5705.41(D).
- B. The Village had expenditures exceeding appropriations at December 31, 2013 and throughout the year then ended in noncompliance with Ohio Revised Code Sections 5705.40 and 5705.41(B).
- C. The Village had appropriations in excess of estimated resources at the year end and throughout the year ended December 31, 2012 in noncompliance with Ohio Revised Code Sections 5705.39 and 5705.36.
- D. The Village had appropriations in excess of actual resources at December 31, 2012 in noncompliance with Ohio Revised Code Section 5705.36(A)(4).

NOTE 13 - OTHER SOURCES

For the year ended December 31, 2013 and 2012, general other sources consisted of revolving loan repayments of principal and interest.

NOTE 14 - INCOME TAXES

The Village levies a municipal income tax of two 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. Additional increases in the income tax rate require voter approval.

Employers within the Village withhold income tax on employee compensation and remit the tax quarterly. Corporations and other individual taxpayers remit estimated taxes quarterly and file a declaration annually. Income tax revenue is credited to the general, special revenue and capital projects funds.

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 14 - BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,491,611	\$ 2,043,470	\$ 551,859
Special Revenue	634,404	764,674	130,270
Capital Projects	437,000	460,368	23,368
Enterprise	8,338,519	3,041,319	(5,297,200)
Total	<u>\$ 10,901,534</u>	<u>\$ 6,309,831</u>	<u>\$ (4,591,703)</u>
2013 Budgeted vs. Actual Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,599,540	\$ 1,717,823	\$ (118,283)
Special Revenue	843,020	606,047	236,973
Capital Projects	436,450	349,990	86,460
Enterprise	7,973,444	2,992,175	4,981,269
Total	<u>\$ 10,852,454</u>	<u>\$ 5,666,035</u>	<u>\$ 5,186,419</u>
2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,454,334	\$ 1,713,980	\$ 259,646
Special Revenue	626,728	744,170	117,442
Capital Projects	215,000	482,019	267,019
Enterprise	2,023,300	1,980,801	(42,499)
Total	<u>\$ 4,319,362</u>	<u>\$ 4,920,970</u>	<u>\$ 601,608</u>
2012 Budgeted vs. Actual Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,555,395	\$ 1,445,476	\$ 109,919
Special Revenue	926,424	870,246	56,178
Capital Projects	463,300	463,280	20
Enterprise	2,140,897	2,089,283	51,614
Total	<u>\$ 5,086,016</u>	<u>\$ 4,868,285</u>	<u>\$ 217,731</u>

SUPPLEMENTARY DATA

**VILLAGE OF SEBRING
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2013**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(A) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASSED THROUGH THE OHIO DEPARTMENT OF DEVELOPMENT			
Community Development Block Grants/State's Program	14.228	C-W-12-2DN-1	\$ 508,000
Total Community Development Block Grants/State's Programs			<u>508,000</u>
Total U.S. Department of Housing and Urban Development			<u>508,000</u>
Total Federal Financial Assistance			<u><u>\$ 508,000</u></u>

(A) This schedule was prepared on the cash basis of accounting.



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**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

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

To the Members of Council and Mayor:

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 Sebring, Mahoning County, Ohio, as of and for the years ended December 31, 2013 and 2012 and the related notes to the financial statements and have issued our report thereon dated June 27, 2014 wherein we noted the Village of Sebring followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statements audit, we considered the Village of Sebring'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 Village of Sebring'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 and responses, 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 Village of Sebring'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 2013-VOS-001 and 2013-VOS-002 described in the accompanying schedule of findings and responses to be material weaknesses.

Members of Council and Mayor
Village of Sebring

Compliance and Other Matters

As part of reasonably assuring whether the Village of Sebring'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 statements 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 six instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2013-VOS-002, 2013-VOS-003, 2013-VOS-004, 2013-VOS-005, 2013-VOS-006 and 2013-VOS-007.

Entity's Response to Findings

The Village of Sebring's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Village of Sebring'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 Village of Sebring's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village of Sebring's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
June 27, 2014



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**Independent Auditor's Report on Compliance With Requirements Applicable
to The Major Federal Program and on Internal Control Over
Compliance Required by OMB Circular A-133**

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

To the Members of Council and Mayor:

Report on Compliance for the Major Federal Program

We have audited the Village of Sebring's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Village of Sebring's major federal program for the year ended December 31, 2013. The *Summary of Auditor's Results* in the accompanying schedule of findings and responses identifies the Village of Sebring's major federal program.

Management's Responsibility

The Village of Sebring's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Village of Sebring's compliance for the Village of Sebring's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Sebring's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Village of Sebring's major program. However, our audit does not provide a legal determination of the Village of Sebring's compliance.

Members of Council and Mayor
Village of Sebring

Opinion on the Major Federal Program

In our opinion, the Village of Sebring complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2013.

Report on Internal Control Over Compliance

The Village of Sebring's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Village of Sebring's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Village of Sebring's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
June 27, 2014

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2013 AND 2012**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Community Development Block Grants/State's Program (CDBG), CFDA #14.228
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2013 AND 2012**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2013-VOS-001

Material Weakness – Financial Reporting

A critical part of financial reporting is to maintain internal controls to help ensure the proper reporting of financial statement amounts.

We identified misstatements in the financial statements for the years under audit that were not initially identified by the Village’s internal control.

The Village had the following audit adjustments necessary to properly record activity in 2013.

Capital Project Fund Type:

Capital Improvement Fund

Increase proceeds of notes receipts and increase principal disbursements in the amount of \$200,000 to properly reflect the payoff and renewal of a bond anticipation note.

Enterprise Fund Type:

Water Works System Fund

Increase proceeds of notes receipts and capital outlay disbursements in the amount of \$410,026 to properly reflect an on behalf payment made by the Ohio Public Works Commission.

WWTP Phosphorus Fund

Increase proceeds of notes receipts and capital outlay disbursements in the amount of \$103,476 to properly reflect an on behalf payment made by the Ohio Water Development Authority.

The Village’s records have been adjusted to reflect these adjustments.

Proper posting of Village receipts and disbursements is a crucial part of the Village’s financial statements as potential users may rely on the statements to make decisions that could have an impact on the Village. In addition, improper posting of receipts could mislead the Members of Council and Village citizens during the year and additionally may misrepresent individual fund balances and possibly misrepresent budget and planning reports.

We recommend that the Village implement additional internal controls to help ensure receipts and disbursements are properly recorded and reflected in the Village’s records. We further recommend the Village implement additional internal controls over financial reporting to help ensure accurate financial reports throughout the year and at year end. We also recommend the Village consult their auditors, local government services or SSI for proper posting of transactions if questions arise.

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2013-VOS-001 - (Continued)

Client Response: The Village will attempt to properly post all transactions in the future. The Village Manager will consult the Village Handbook and/or Local Government Services when unusual/or infrequent transactions occur.

Finding Number	2013-VOS-002
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Material Weakness/Noncompliance

Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The Village had 84.6% and 86.8% of expenditures that were not timely certified for the years ended December 31, 2013 and December 31, 2012, respectively.

Without timely certification, the Village may expend more funds than available in the Treasury, in the process of collection or in the funds appropriated. It may also result in unnecessary purchases.

We recommend that all orders or contracts involving the expenditure of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. A policy and procedure statement adopted by the Council and distributed at least annually may be beneficial. The Village should consider using “Then” and “Now” certificates where applicable.

Client Response: The Village is attempting to use blanket certificates and ‘then and now’ certificates when applicable.

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2013-VOS-003

Ohio Revised Code Section 5705.41(B) provides that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

The Village had expenditures exceeding appropriations in the following fund types and by the corresponding amounts at December 31, 2013:

<u>Fund Type/Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>2013</u>			
General	\$ 1,599,540	\$ 1,717,823	\$ 118,283

Disclosure is presented at the fund level, rather than at the department and object level within the fund due to the practicality of determining these values.

We recommend that Village Council and the Village Manager closely monitor the annual budget and file amended certificates of estimated resources and appropriations as needed to ensure disbursements are within the amounts legally appropriated. In addition, we also recommend the Village Manager review and amend appropriations when it is determined that expenditures will exceed appropriations.

Client Response: When necessary, the Village will file amended appropriations as needed to ensure disbursements are within the amounts legally appropriated. The administration will deny any and all expenditures that exceed appropriations.

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2013-VOS-004

Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure be made by Council resolution and comply with the same provisions of the law as used in making the original appropriations.

Expenditures exceeded appropriations during 2013 due to the Village not timely or properly modifying its appropriations throughout the year.

By not timely and properly modifying the Village's appropriations, the Village is not adequately monitoring appropriations versus expenditures. With expenditures exceeding appropriations, overspending may occur which may result in a negative fund balance.

We recommend that the Village comply with Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary.

Client Response: The Village will continue to attempt to modify appropriations in an efficient and accurate manner.

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2013-VOS-005

Ohio Revised Code Section 5705.39 in part requires that total appropriations from each fund should not exceed total estimated resources.

At December 31, 2012 the Village had appropriations in excess of estimated resources in the following funds:

<u>Fund Type/Fund</u>	<u>Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Special Revenue Fund:</u>			
Street Construction, Maintenance and Repair	\$ 225,758	\$ 238,210	\$ 12,452
<u>Capital Projects Fund:</u>			
Capital Improvement	228,358	463,300	234,942
<u>Enterprise Funds:</u>			
Water Works System	630,873	791,517	160,644
Sewer System	859,836	945,480	85,644

With appropriations exceeding estimated resources, the Village is appropriating monies that are not in the Treasury or in the process of collection that have been certified with the County Auditor. Thus, over appropriating may cause expenditures to increase and cause a deficit fund balance.

We recommend the Village comply with the Ohio Revised Code by monitoring appropriations so they do not exceed estimated resources. This may be achieved by monitoring the budget more closely on a continual basis and amending estimated resources or appropriations as necessary.

Client Response: The Village will continue to attempt to modify appropriations in an efficient and accurate manner.

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2013-VOS-006

Ohio Revised Code Section 5705.36, in part, requires Fiscal Officers to certify to the County Auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

During the year and at the year ended December 31, 2012, the Village did not request enough amended certificates throughout the year upon notice of increased or decreased resources.

The Village is not properly certifying its most current estimated resources to the appropriate authorities and thus causing appropriations to exceed estimated resources.

We recommend that the Village certify its available sources at year end and file amended certificates as necessary throughout the year. This will facilitate the Village's appropriation process.

Client Response: The Village is attempting to monitor the budget more closely.

Finding Number	2013-VOS-007
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Noncompliance

Ohio Revised Code Section 5705.36 (A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

At December 31, 2012, the Village had appropriations that were greater than actual resources in the following funds:

<u>Fund Type/Fund</u>	<u>Actual Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Enterprise Fund</u>			
Water Works System	\$ 631,141	\$ 791,517	\$ 160,376
Sewer	888,018	945,480	57,462

By appropriating more funds than actual resources, the Village is at risk of spending more money than available; this may result in negative fund balances.

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2013-VOS-007 - (Continued)

We recommend the Village monitor appropriations in comparison to actual resources and obtain decreased amended appropriations as needed. Further guidance may be found in Auditor of State bulletin 97-010.

Client Response: The Village will monitor appropriations and amend when necessary.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer</u> Valid; <i>Explain:</i>
2011-VOS-001	<u>Material Weakness -Financial Reporting</u> - We identified misstatements in the 2011 and 2010 financial statements that were not initially identified by the Village's internal control.	No	Repeated as finding 2013-VOS-001
2011-VOS-002	17 CFR 250.15c-12 states that the issuer of bonds must provide a copy of the annual report to each Nationally Recognized Municipal Securities Information Repository (NRMSIR) and State Information Depository (SID). The Village did not submit the annual financial report to the NRMSIR or SID for 2011 and 2010.	Yes	N/A
2011-VOS-003	Ohio Revised Code Section 5705.39 in part requires that total appropriations from each fund should not exceed total estimated resources. For 2010 the Village had appropriations in excess of estimated resources in a certain fund.	No	Repeated as finding 2013-VOS-005
2011-VOS-004	Ohio Revised Code Section 5705.36 in part requires Fiscal Officers to certify to the County Auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the year of the preceding year. For 2010 the Village did not request enough amended certificates.	No	Repeated as finding 2013-VOS-006

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2011-VOS-005	<u>Material Weakness/Noncompliance</u> - Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the Fiscal Officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. The Village had 75% and 82.4% of expenditures not timely certified for 2011 and 2010, respectively.	No	Repeated as finding 2013-VOS-002
2011-VOS-006	Ohio Administrative Code 117-2-02(C)(1) states that all public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. The Village's estimated receipts were not entered into the accounting system.	Yes	N/A
2011-VOS-007	Ohio Revised Code Section 5705.41(B) provides that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated. In 2011 and 2010 the Village had expenditures exceeding appropriations in certain funds.	No	Repeated as finding 2013-VOS-003

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></u>
2011-VOS-008	Ohio Revised Code Section 5705.40 requires that any appropriation measure may be amended and supplemented if the entity complies with the same laws used in make the original appropriation. Expenditures exceeded appropriations during 2011 and 2010 due to not timely or properly modifying appropriations throughout the year.	No	Repeated as finding 2013-VOS-004
2011-VOS-009	Ohio Revised Code Section 5705.10 in part requires that on a cash basis, no fund shall have a negative fund balance during the fiscal year or at fiscal year end. The Village had negative fund balances at year end and throughout 2011 and 2010.	Yes	N/A

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Dave Yost • Auditor of State

VILLAGE OF SEBRING

MAHONING COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 23, 2014**