



**Auditor of State
Betty Montgomery**

VILLAGE OF SABINA
CLINTON COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Sabina, Clinton County, Ohio (the Village), as of and for the year ended December 31, 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The accompanying financial statements present unclassified disbursements (except debt service disbursements) by fund type totals only. Ohio Administrative Code, Section 117-2-02(A), requires governments to classify disbursement transactions.

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

In our opinion, except for the omission of certain disbursement classifications, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2003, and its combined cash receipts and unclassified disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 1, 2004

VILLAGE OF SABINA
CLINTON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$68,487	\$21,581	\$0	\$90,068
Municipal Income Taxes	99,865			99,865
Intergovernmental Receipts	104,662	119,959		224,621
Charges for Services	22,199			22,199
Fines, Licenses, and Permits	13,329			13,329
Earnings on Investments	11,756	380	18	12,154
Miscellaneous	27,336	1,186	2,404	30,926
Total Cash Receipts	<u>347,634</u>	<u>143,106</u>	<u>2,422</u>	<u>493,162</u>
Cash Disbursements:				
Unclassified	419,428	124,063	3,687	547,178
Debt Service:				
Principal Payments	8,357			8,357
Interest Payments	820			820
Total Cash Disbursements	<u>428,605</u>	<u>124,063</u>	<u>3,687</u>	<u>556,355</u>
Total Receipts Over/(Under) Disbursements	<u>(80,971)</u>	<u>19,043</u>	<u>(1,265)</u>	<u>(63,193)</u>
Other Financing Receipts and (Disbursements):				
Transfers-In		6,000	0	6,000
Transfers-Out	(6,000)	0	0	(6,000)
Total Other Financing Receipts/(Disbursements)	<u>(6,000)</u>	<u>6,000</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(86,971)	25,043	(1,265)	(63,193)
Fund Cash Balances, January 1 (as Restated, see Note #10)	<u>214,646</u>	<u>58,268</u>	<u>3,580</u>	<u>276,494</u>
Fund Cash Balances, December 31	<u>\$127,675</u>	<u>\$83,311</u>	<u>\$2,315</u>	<u>\$213,301</u>
Reserves for Encumbrances, December 31	<u>\$2,785</u>	<u>\$292</u>	<u>\$0</u>	<u>\$3,077</u>

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

**VILLAGE OF SABINA
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL ENTERPRISE AND AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Enterprise</u>	<u>Agency</u>	<u>Totals (Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$592,614	\$0	\$592,614
Miscellaneous	20,896	46	20,942
Total Operating Cash Receipts	<u>613,510</u>	<u>46</u>	<u>613,556</u>
Operating Cash Disbursements:			
Unclassified	<u>381,183</u>		<u>381,183</u>
Total Operating Cash Disbursements	<u>381,183</u>	<u>0</u>	<u>381,183</u>
Operating Income/(Loss)	<u>232,327</u>	<u>46</u>	<u>232,373</u>
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes	25,932		25,932
Intergovernmental Receipts			0
Proceeds from Notes and Bonds			0
Other Non-Operating Receipts		15,067	15,067
Total Non-Operating Cash Receipts	<u>25,932</u>	<u>15,067</u>	<u>40,999</u>
Non-Operating Cash Disbursements:			
Debt Service	93,217		93,217
Other Non-Operating Cash Disbursements		14,733	14,733
Total Non-Operating Cash Disbursements	<u>93,217</u>	<u>14,733</u>	<u>107,950</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	165,042	380	165,422
Transfers-In	45,359		45,359
Transfers-Out	<u>(45,359)</u>		<u>(45,359)</u>
Net Receipts Over Disbursements	165,042	380	165,422
Fund Cash Balances, January 1	<u>898,574</u>	<u>26,753</u>	<u>925,327</u>
Fund Cash Balances, December 31	<u>\$1,063,616</u>	<u>\$27,133</u>	<u>\$1,090,749</u>
Reserve for Encumbrances, December 31	<u>\$11,281</u>	<u>\$0</u>	<u>\$11,281</u>

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

**VILLAGE OF SABINA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

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

The Village did not classify disbursements other than debt service payments. Ohio Administrative Code Section 117-2-02(A) requires classifying disbursements.

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

C. Cash and Investments

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

Certificates of deposit, and repurchase agreements are valued 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

VILLAGE OF SABINA
CLINTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Enterprise Funds

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

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

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

4. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

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

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. However, there were no material unrecorded outstanding encumbrances at December 31, 2003.

A summary of 2003 budgetary activity appears in Note 3.

**VILLAGE OF SABINA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003
Demand deposits	\$7,605
Certificates of deposit	195,000
Total deposits	202,605
Repurchase agreement	1,101,444
Total investments	1,101,444
Total deposits and investments	\$1,304,049

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2003 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$229,019	\$347,634	\$118,615
Special Revenue	139,260	149,106	9,846
Enterprise	717,234	684,801	(32,433)
Fiduciary	2,200	2,422	222
Total	\$1,087,713	\$1,183,963	\$96,250

**VILLAGE OF SABINA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$443,665	\$437,390	\$6,275
Special Revenue	197,526	124,355	73,171
Enterprise	1,168,203	531,040	637,163
Fiduciary	5,780	3,687	2,093
Total	\$1,815,174	\$1,096,472	\$718,702

Contrary to Ohio law, the Village did not obtain prior certification of the fiscal officer for all purchases nor were commitments properly encumbered.

4. PROPERTY TAX

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

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

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

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

5. LOCAL INCOME TAX

The Village levied a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. The Village ceased levying the tax in November 2002; however, collections were being received after this date for past due accounts.

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
1991 Ohio Water Development Authority Loan	\$681,168	8.07%
2001 Ohio Water Development Authority Loan	22,500	0.00%
2002 Police Cruiser Lease Agreement	10,347	5.50%
Total	\$714,015	

The 1991 Ohio Water Development Authority (OWDA) loan relates to a sewer plant expansion project. The loan will be repaid in semiannual installments of \$90,717, including interest, over 25 years. This loan is secured by utility fund customer charges for services.

**VILLAGE OF SABINA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

6. DEBT (Continued)

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

The Police Cruiser Lease Agreement is a 36 month term for a new police cruiser. The Village assumes title at the end of the lease. This lease is secured by the police cruiser.

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

	OWDA Loans	Police Cruiser
Year ending December 31:		
2004	\$93,217	\$9,177
2005	93,217	1,530
2006	93,217	
2007	93,217	
2008	93,217	
Subsequent	645,019	
Total	\$1,111,104	\$10,707

7. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2003, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003. The Village has paid all contributions required through December 31, 2003.

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

9. LITIGATION

The Village of Sabina is a party to various legal proceedings. The Village legal counsel and management are of the opinion that ultimate disposition of these claims will not have a material effect on the financial condition of the Village.

VILLAGE OF SABINA
CLINTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

10. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to reclassify the Police Disability Pension Fund from an Expendable Trust fund to a Special Revenue Fund.

	<u>Balance at December 31, 2002</u>	<u>Reclassify</u>	<u>Balance at January 1, 2003</u>
Special Revenue Funds	\$55,611	\$2,657	\$58,268
Expendable Trust Funds	6,237	(2,657)	3,580



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Sabina, Clinton County, Ohio (the Village), as of and for the year ended December 31, 2003, and have issued our report thereon dated October 1, 2004, which was qualified since the Village did not classify certain disbursements in its financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 and 2003-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated October 1, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-001 thru 2003-005.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above as items 2003-002, 2003-003, and 2003-004 are material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated October 1, 2004.

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



Betty Montgomery
Auditor of State

October 1, 2004

**VILLAGE OF SABINA
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Noncompliance Citation/Reportable Condition

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

This Section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract order and at the time of the certificate, appropriated and free of any previous encumbrances, the Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.

- B. If the amount involved is less than \$3,000, the Fiscal Officer may authorize payment through a Then and Now Certificate without affirmation of the Council, if such expenditure is otherwise valid.

Twenty-three percent of the expenditures tested were executed without first obtaining the fiscal officer's certification and did not meet the exceptions provided for in the Code. Every effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly certify funds could result in overspending of the Village funds.

FINDING NUMBER 2003-002

Material Weakness

The Village maintains a manual system of accounting consisting of a cash journal, receipts journal, and appropriations ledger. While the Village has established procedures to reconcile the cash journal to the monthly bank statements, it has not established procedures to reasonably determine that receipts and disbursements have been completely and accurately recorded to their respective ledgers. Without summarizing transactions, the Village cannot classify receipt and disbursement transactions as required to prepare financial statements.

The Village should implement procedures to ensure the completeness, and accuracy of receipt and disbursement postings to the receipts journal and appropriations ledger. A monthly reconciliation of total receipts and disbursements by fund should be made to the respective totals in monthly cash journal. We recommend that the Village summarize monthly subtotals in the journals and ledger. The Village should then assure the monthly totals in the ledger agree to the journals, and reconcile the cash journal to the bank statement. The Village Council should periodically review receipt and appropriation ledgers to check that transactions have been properly recorded. Without accurate financial information, the Village Council cannot make informed decisions regarding the current financial status of the Village and future budgets.

FINDING NUMBER 2003-003

Noncompliance Citation/Material Weakness

Ohio Rev. Code, Section 733.28, states that the Village Fiscal Officer should keep the books of the village, exhibit accurate statements of all moneys received and expended, all property owned by the Village and income derived there from, and all taxes and assessments. Although the Village Fiscal Officer did maintain accounting records, the records contained numerous posting errors. The following errors were noted in the cash journal:

- We determined that the December 31, 2003 list of outstanding checks contained check number 22118 for \$510.89 and number 22530 for \$1,763.07. Check number 22118 had been incorrectly included on the outstanding checklist since August. The check was never recorded as an expense, but was noted as void in August 2003 cash journal. Check number 22530 was also never recorded as an expense, but was noted as void in the November 2003 cash journal. Also, check number 22530 was included in the November 2003 bank reconciliation for \$1,832.25. Many other errors were noted in the bank reconciliations from May 2003 through December 2003.
- The May 2003 cash journal included an adjustment to reclassify expenditures from the General Fund Contingency to appropriate funds and line items. The adjustment only posted expenses totaling \$563.37. A corresponding adjustment was not posted to the General Fund Contingency.
- Check number 22040 to GBS Computer and Communication Systems for computer work was posted to the General Fund for \$7,500, but the check issued and cleared the bank for \$75.
- In July 2003 an interest receipt of \$637.94 was posted as an expense in the amount of \$607.29 to the General Fund, \$22.18 to the Street Fund, and \$8.47 to the State Highway Fund. The posting of the receipt as a disbursement understated total cash by \$1,275.88.
- In July 2003 a pool receipt for \$377.95 was also posted as an expense to the General Fund. This caused the General Fund balance to be understated by \$755.90.
- Receipt number 7936 for gas tax omitted \$100 of the deposit amount that should have been posted to the State Highway Fund.
- In August 2003, two checks totaling \$372.03 that were originally posted as receipts to the Water Fund, that had originally been returned to the Village for non sufficient funds, were re-deposited; however, these receipts were posted twice in the cash journal.
- The August real estate taxes were posted at the gross amount, but the Village failed to post the General Fund Memo Expense of \$86.08 for DRETAC Fund.
- The Street Fund portion of check number 22113 was posted to the cash journal for \$48.09 more than the amount of the check that was written.
- A check for \$303.90 that was included in the August 25, 2003 utilities deposit was returned for non sufficient funds and posted as a debit memo by the bank on August 26, 2003. The item was deposited successfully and receipted again on August 28, 2003. The Village did not record the debit memo, and therefore recorded the same receipt twice on the cash journal.

**FINDING NUMBER 2003-003
(Continued)**

- The September 2003 cash journal includes an unsupported General Fund receipt of \$3,607.59.
- On September 4, 2003 receipt number 8108 for Mayor's Court was posted to the cash journal for \$25 more than the amount disbursed by the Mayor's court. The extra \$25 was posted to the Law Enforcement Trust Fund.
- Receipt number 8187 for Liquor License was posted to the General Fund for \$449.83, but \$499.83 was deposited in the bank.
- Check number 22635 for \$171.31 from the Water Fund was posted to the cash journal for \$117.31.
- In May and June 2003 two pool family memberships totaling \$300 were posted as a receipt to the cash journal twice.
- In July and August 2003 two Regional Income Tax Authority receipts for income taxes collected on behalf of the Village were posted for more than actually received. Receipt number 7915 was posted for \$1,242.54 more than the amount deposited in the bank, and receipt number 8002 was posted for \$3,744.98 more than the amount deposited in the bank.
- On June 27, 2003 the Village received a direct deposit for a portion of their 2002 retainer fee from the Regional Income Tax Authority, but the \$1,395 was not posted as a receipt on the cash journal.
- The deposit on June 30, 2003 for \$305 included \$130 in cash that was not posted as a receipt on the cash journal.
- The cash journal posting for receipt number 8008 omitted \$211.43 in cash that was deposited in the bank.
- The cash journal posting for receipt number 7977 was \$100 less than the amount deposited in the bank.

Also, the Village Fiscal Officer did not properly classify receipt and disbursement transactions. As a result, the receipts by source or disbursements by purpose in the Village's 2003 annual financial report were materially incorrect, contrary to Ohio Rev. Code, Section 117.38, which requires reporting the purpose of disbursements.

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

We recommend the Village Fiscal Officer accurately maintain the Village's accounting records. For added accountability, we recommend Council review all bank reconciliations and financial reports for accuracy and verify that all reconciling items are justified.

FINDING NUMBER 2003-004

Material Weakness

The Village is not accurately reconciling its cash. This process is composed of taking the total of all bank and investment balances from which outstanding checks are subtracted, other adjustments considered (unrecorded interest income and deposits in transit are examples) and the resulting amount should agree with the Village's book/fund balances. This is to be done at the end of each month.

Although monthly reconciliations were being performed, they were not accurate. Also, detailed documentation to support reconciling items was either incomplete or nonexistent, and the reconciliations included outstanding checks older than 90 days. The following errors were noted:

May	Deposits in transit were understated by \$377.68.
Jun	\$232 bank fee was incorrectly posted as a reconciling item. The fee had been charged by the bank and had been posted on the cash journal.
Jul	The reconciliation included an undocumented reconciling item for \$6,736.29 titled "cash in transit."
Aug	Voided check number 22118 for \$510.89 was posted as void in the August 2003 cash journal, but carried as an outstanding check. The reconciliation included \$7,334.98 titled "cash in transit" of which \$5,511.60 was a plug.
Sep	Voided check number 22118 for \$510.89 was posted as void in the August 2003 cash journal, but carried as an outstanding check. The reconciliation incorrectly included \$1,823.39 as a deposit adjustment. The item had been posted by the bank and on the cash journal.
Oct	Voided check number 22118 for \$510.89 was posted as void in the August 2003 cash journal, but carried as an outstanding check. Voided check number 22410 for \$1,873.11 was posted void in the October 2003 cash journal, but was included in the bank reconciliation.
Nov	Voided check number 22118 for \$510.89 was posted as void in the August 2003 cash journal, but carried as an outstanding check. Voided check number 22530 for \$1,832.25 was posted void in the November 2003 cash journal, but was included in the bank reconciliation.
Dec	Voided check number 22118 for \$510.89 was posted as void in the August 2003 cash journal, but carried as an outstanding check. Voided check number 22530 was posted void in the November 2003 cash journal, but was included in the bank reconciliation in an amount \$69.18 less than it was on the November 2003 outstanding check list.

Also, the reconciliations were not reviewed by the Village Council for accuracy and completeness. Inaccurate reconciliations increase the likelihood of undetected theft or fraud.

The Village Fiscal Officer must prepare the monthly bank reconciliation in a timely manner and assure that the reconciliations be supported by detailed and accurate records, which should be available for inspection. The person responsible for the monthly bank reconciliation should be adequately trained and have knowledge of the Village's operations. In addition, we recommend these reconciliations be presented to and approved by the Council. We reviewed the Village reconciliation as of July 2004, and the reconciliation was not accurate.

FINDING NUMBER 2003-005

Reportable Condition

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

- Guest sign in sheets were not maintained.
- Member sign in sheets were not maintained.
- Many of the membership application forms were not signed or dated by the Village employee receiving the payment.
- During 2004, a cash register was implemented at the pool, however, this is merely being used as a cashbox. No register tape is maintained.
- The Village does not have written procedures for the financial operation of the swimming pool or concessions. There are little or no controls in place for the receipts and deposits of revenue generated from the pool.

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

- Council should adopt written policies and procedures regarding the financial operation of the pool/concessions;
- Controls should be developed and implemented over the receipts and deposit of funds generated at the pool;
- Funds received during the course of the day at the pool should be secured and safeguarded from possible theft;
- A receipt should be given for all membership purchases and all pool rentals;
- All pool membership applications should be initialed and dated by the Village employee upon acceptance;
- Pool employees should complete and initial an itemization of the funds placed in the bank drop bag. The bag should be locked prior to dropping it at the Village in care of the Utilities Supervisor;
- The bag should be opened at the Village office in the presence of two individuals. Any discrepancies should be immediately investigated.
- Guest sign in sheets should be used for all daily admission sales. These sheets should be reconciled and attached to the daily till reports.
- Member sign in sheets should be maintained and filed. Village management should occasionally review the member sign in sheets to verify that all persons on these sheets had paid for memberships.
- The cash register should be programmed for sale items and the register tape should be reconciled and attached to the daily till report.

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**VILLAGE OF SABINA
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	Failure to correctly implement approved sewer rate ordinances.	Yes	
2002-002	Periodically review utility accounts to assure proper rates are being charged.	Yes	



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VILLAGE OF SABINA

CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 18, 2004**