



Mary Taylor, CPA  
Auditor of State



VILLAGE OF SABINA  
CLINTON COUNTY

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# Mary Taylor, CPA

Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

August 7, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Sabina, Clinton County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we have audited the financial statements of the Village of Sabina (the Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated August 7, 2007 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. We believe our audit provides a reasonable basis for our opinion.

The Village did not provide sufficient documentation supporting the Mayor's Court receipts and disbursements as recorded in the Agency Fund. Without this evidential matter, we were unable to obtain sufficient information regarding the receipts and disbursements recorded for the Agency Fund, or to satisfy ourselves regarding the validity of the underlying transactions through other auditing procedures. Mayor's Court receipts represent 100% of receipts and disbursements recorded in the Agency Fund.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use

GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding three paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Also, in our opinion, except for the effects of adjustments, if any, as might have been determined to be necessary had we been able to examine documentation supporting Mayor's Court receipts and disbursements, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Sabina, Clinton County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

August 7, 2007



VILLAGE OF SABINA  
CLINTON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$71,854	\$22,600	\$0	\$0	\$94,454
Municipal Income Tax	323,009	0	0	0	323,009
Intergovernmental	128,374	131,039	0	0	259,413
Fines, Licenses and Permits	5,690	0	0	0	5,690
Earnings on Investments	37,498	4,440	0	0	41,938
Miscellaneous	13,292	5,057	0	0	18,349
<b>Total Cash Receipts</b>	<b>579,717</b>	<b>163,136</b>	<b>0</b>	<b>0</b>	<b>742,853</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	273,375	28,756	0	0	302,131
Leisure Time Activities	515	0	0	0	515
Transportation	0	93,036	0	0	93,036
General Government	122,336	0	0	0	122,336
Capital Outlay	0	0	0	4,760	4,760
Debt Service:					
Principal Payment	0	0	38,632	0	38,632
Interest and Other Fiscal Charges	0	0	45,179	0	45,179
<b>Total Cash Disbursements</b>	<b>396,226</b>	<b>121,792</b>	<b>83,811</b>	<b>4,760</b>	<b>606,589</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>183,491</b>	<b>41,344</b>	<b>(83,811)</b>	<b>(4,760)</b>	<b>136,264</b>
<b>Other Financing Receipts/(Disbursements):</b>					
Transfers-In	0	0	76,519	10,000	86,519
Transfers-Out	(10,000)	0	0	0	(10,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(10,000)</b>	<b>0</b>	<b>76,519</b>	<b>10,000</b>	<b>76,519</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements</b>	<b>173,491</b>	<b>41,344</b>	<b>(7,292)</b>	<b>5,240</b>	<b>212,783</b>
Fund Cash Balance, January 1	\$30,017	\$150,887	\$7,292	\$0	\$188,196
<b>Fund Cash Balance, December 31</b>	<b>\$203,508</b>	<b>\$192,231</b>	<b>\$0</b>	<b>\$5,240</b>	<b>\$400,979</b>
Reserve for Encumbrances, December 31	\$1,820	\$2,039	\$0	\$0	\$3,859

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

VILLAGE OF SABINA  
CLINTON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
<b>Operating Cash Receipts:</b>			
Charges for Services	\$665,447	\$0	\$665,447
Miscellaneous	5,494	0	5,494
<b>Total Operating Cash Receipts</b>	<b>670,941</b>	<b>0</b>	<b>670,941</b>
<b>Operating Cash Disbursements:</b>			
Current:			
Personal Services	153,167	0	153,167
Employee Fringe Benefits	75,776	0	75,776
Contractual Services	166,053	0	166,053
Supplies and Materials	77,770	0	77,770
Other	6,854	0	6,854
<b>Total Operating Cash Disbursements</b>	<b>479,620</b>	<b>0</b>	<b>479,620</b>
<b>Operating Income</b>	<b>191,321</b>	<b>0</b>	<b>191,321</b>
<b>Non-Operating Receipts/Disbursements</b>			
Special Assessments	9,386	0	9,386
Miscellaneous Receipts	8,371	0	8,371
Capital Outlay	(159,682)	0	(159,682)
<b>Total Non-Operating Receipts/Disbursements</b>	<b>(141,925)</b>	<b>0</b>	<b>(141,925)</b>
Income			
Before Interfund Transfers	49,396	0	49,396
Transfers-Out	(76,519)	0	(76,519)
Fund Cash Balance, January 1	\$1,165,859	\$26,417	\$1,192,275
<b>Fund Cash Balance, December 31</b>	<b>\$1,138,736</b>	<b>\$26,417</b>	<b>\$1,165,152</b>
Reserve for Encumbrances, December 31	\$11,310	\$0	\$11,310

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

VILLAGE OF SABINA  
CLINTON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDING DECEMBER 31, 2004**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$72,889	\$22,906	\$0	\$95,795
Municipal Income Tax	51,321	0	0	51,321
Intergovernmental	104,049	123,822	0	227,871
Fines, Licenses and Permits	12,786	1,054	0	13,840
Earnings on Investments	15,082	1,166	0	16,248
Miscellaneous	13,731	3,683	0	17,414
<b>Total Cash Receipts</b>	<b>269,858</b>	<b>152,631</b>	<b>0</b>	<b>422,489</b>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	253,483	10,449	0	263,932
Leisure Time Activities	365	0	0	365
Transportation	0	76,920	0	76,920
General Government	113,668	0	0	113,668
Debt Service:				
Redemption of Principal	0	0	35,744	35,744
Interest and Other Fiscal Charges	0	0	47,682	47,682
<b>Total Cash Disbursements</b>	<b>367,516</b>	<b>87,369</b>	<b>83,426</b>	<b>538,311</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(97,658)</b>	<b>65,262</b>	<b>(83,426)</b>	<b>(115,822)</b>
<b>Other Financing Receipts:</b>				
Transfers-In	0	0	90,718	90,718
<b>Total Other Financing Receipts</b>	<b>0</b>	<b>0</b>	<b>90,718</b>	<b>90,718</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements</b>	<b>(97,658)</b>	<b>65,262</b>	<b>7,292</b>	<b>(25,104)</b>
Fund Cash Balance, January 1	\$127,675	\$85,625	\$0	\$213,300
<b>Fund Cash Balance, December 31</b>	<b>\$30,017</b>	<b>\$150,887</b>	<b>\$7,292</b>	<b>\$188,196</b>
Reserve for Encumbrances, December 31	\$1,868	\$866	\$0	\$2,734

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

VILLAGE OF SABINA  
CLINTON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDING DECEMBER 31, 2004**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
<b>Operating Cash Receipts:</b>			
Charges for Services	\$606,296	\$0	\$606,296
Miscellaneous	2,999	0	2,999
<b>Total Operating Cash Receipts</b>	<b>609,295</b>	<b>0</b>	<b>609,295</b>
<b>Operating Cash Disbursements:</b>			
Current:			
Personal Services	142,744	0	142,744
Employee Fringe Benefits	48,841	0	48,841
Contractual Services	130,002	0	130,002
Supplies and Materials	86,637	0	86,637
Other	4,778	0	4,778
Capital Outlay	18,365	0	18,365
<b>Total Operating Cash Disbursements</b>	<b>431,367</b>	<b>0</b>	<b>431,367</b>
Operating Income	177,928	0	177,928
<b>Non-Operating Receipts/Disbursements</b>			
Special Assessments	15,033	0	15,033
Miscellaneous Receipts	0	15,314	15,314
Other	0	(16,031)	(16,031)
<b>Total Non-Operating Receipts/Disbursements</b>	<b>15,033</b>	<b>(717)</b>	<b>14,316</b>
Income/(Loss)			
Before Interfund Transfers	192,961	(717)	192,244
Transfers-Out	(90,718)	0	(90,718)
Fund Cash Balance, January 1	\$1,063,616	\$27,134	\$1,090,750
<b>Fund Cash Balance, December 31</b>	<b>\$1,165,859</b>	<b>\$26,417</b>	<b>\$1,192,276</b>
Reserve for Encumbrances, December 31	\$4,478	\$0	\$4,478

*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, 2005 AND 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Sabina, Clinton County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities, park operations, and police service. The Village contracts with the SRWW #2 Joint Fire District for fire and ambulance service.

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

Jointly Governed Organization

The SRWW #2 Joint Fire District, is a jointly governed organization, which provides fire protection and rescue services to the Village of Sabina, Richland Township, Wayne Township, and Wilson Township. Each of the four political subdivisions appoints one member of the four member board of trustees. This Board owns and operates assets in its own name. The Board of has authority to levy taxes and approve its own budget. Funding for operations comes from the participants in the District, charges for services and a tax levy.

**B. Basis of Accounting**

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

These statements adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit and repurchase agreements at cost.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF SABINA  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Special Revenue Funds**

These funds 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.

**3. Debt Service Fund**

This fund accounts for resources the Village accumulates to pay bond and note debt. The Village had the following significant debt service fund:

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

**4. Capital Project Fund**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

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

**5. Enterprise Funds**

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

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

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

**6. Fiduciary Fund (Agency Fund)**

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following fiduciary fund:

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

**VILLAGE OF SABINA  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process**

The Ohio Revised Code requires that each fund, except Agency funds, be budgeted annually for all revenues and expenditures except advances.

**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. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**G. Accumulated Leave**

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

**VILLAGE OF SABINA  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2005	2004
Demand deposits	\$10,762	\$13,714
Certificates of deposit	195,000	195,000
Total deposits	205,762	208,714
Repurchase agreement	1,360,369	1,171,758
Total investments	1,360,369	1,171,758
Total deposits and investments	\$1,566,131	\$1,380,472

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

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$488,842	\$579,717	\$90,875
Special Revenue	151,400	163,136	11,736
Debt Service	90,718	76,519	(14,199)
Capital Projects	0	10,000	10,000
Enterprise	576,000	688,698	112,698
Total	\$1,306,960	\$1,518,070	\$211,110

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$405,872	\$408,046	(\$2,174)
Special Revenue	305,185	123,831	181,354
Debt Service	83,812	83,811	1
Capital Projects	5,000	4,760	240
Enterprise	1,794,462	727,131	1,067,331
Total	\$2,594,331	\$1,347,579	\$1,246,752



**VILLAGE OF SABINA  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$219,445	\$269,858	\$50,413
Special Revenue	143,315	152,631	9,316
Debt Service	83,429	90,718	7,289
Enterprise	692,335	624,328	(68,007)
Total	\$1,138,524	\$1,137,535	(\$989)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$363,440	\$369,384	(\$5,944)
Special Revenue	229,470	88,235	141,235
Debt Service	83,430	83,426	4
Enterprise	1,442,804	526,563	916,241
Total	\$2,119,144	\$1,067,608	\$1,051,536

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund for the years ended December 31, 2005 and 2004. Budgetary expenditures exceeded appropriations authority in the Pool Fund for the year ended December 31, 2005.

Appropriations exceeded estimated resources in the following funds for the year ended December 31, 2005: Other Capital Projects, Sewer and Pool.

The Village did not obtain Auditor of State authority to establish the following funds for the year ended December 31, 2005: 2902 Water Service Deposit and 2903 Police Trust. For the year ended December 31, 2004, authority was not obtained for the following funds: 2092 Police Trust and 7001 Water Service Deposit.

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

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

**VILLAGE OF SABINA  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**4. PROPERTY TAX (Continued)**

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

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. The Village ceased levying the tax in November 2002; however, collections were received after this date for past due accounts. The Village reinstated the tax in December 2004.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**6. DEBT**

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
1991 Ohio Water Development Authority Loan	\$606,789	8.07%
2001 Ohio Water Development Authority Loan	17,500	0.00%
2005 Dump Truck Lease Agreement	37,766	5.41%
2005 Police SUV Lease Agreement	23,110	6.05%
Total	<u>\$685,165</u>	

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

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

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

The 2005 Police SUV Lease Agreement is a lease-purchase agreement over a 36 month term for a new police SUV. The Village will pay \$832.00 each month with a final payment of \$831.94. The agreement is collateralized by the vehicle.

**VILLAGE OF SABINA  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**6. DEBT (Continued)**

Amortization of the above debt, including interest, follows:

Year ending December 31:	1991 OWDA Loan	2001 OWDA Loan	2005 Dump Truck Lease	2005 Police SUV Lease
2006	\$84,913	\$2,500	\$9,396	\$9,984
2007	85,415	2,500	9,396	\$9,984
2008	85,415	2,500	9,396	4,992
2009	85,958	2,500	9,396	0
2010	86,545	2,500	5,481	0
2011-2015	397,961	5,000	0	0
Total	<u>\$826,207</u>	<u>\$17,500</u>	<u>\$43,065</u>	<u>\$24,960</u>

**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 Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

**9. CONTINGENT LIABILITIES**

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Village's financial condition.

**VILLAGE OF SABINA  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**10. SUBSEQUENT EVENTS**

Accepted a bid from Melvin Asphalt Paving for the Elm St. project in the amount of \$290,935. This was the lowest and best bid.

**11. PRIOR PERIOD ADJUSTMENT**

The beginning Fund Cash Balances of special revenue and expendable trust at January 1, 2004 have been adjusted for the reclassification of the expendable trust as follows:

	<b>Special Revenue Funds</b>	<b>Expendable Trust</b>
December 31, 2003 Fund Balance, as previously stated	\$83,310	\$2,315
Fund Reclassification – Police Trust Fund	<u>2,315</u>	<u>(2,315)</u>
January 1, 2004 Fund Balance, as restated	<u>\$85,625</u>	<u>\$0</u>

**12. COMPLIANCE**

The Village failed to accurately maintain the Village's books as required by Ohio Revised Code Section 733.28.

The Village failed to maintain a full and accurate record of the Village Council's proceedings as required by Ohio Revised Code Sections 121.22 and 149.43.

The Village failed to deposit public monies with the Fiscal Officer or designated depository within the required time frame as required by Ohio Revised Code Section 9.38.

The Village failed to maintain an accountability of the monies collected by the Mayor's Court as required by Ohio Revised Code Section 733.40.



# Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Sabina, Clinton County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated August 7, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We qualified our report on the Agency Fund for a lack of supporting documentation for mayor's court receipts and disbursements as recorded in the Agency Fund. We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

However, we noted certain matters involving the internal control over financial reporting and its operation that we consider 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 2005-008 through 2005-012 and 2005-014 through 2005-019.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. We consider reportable conditions 2005-008 through 2005-010, 2005-014 and 2005-017 through 2005-019 listed above to be material weaknesses. In a separate letter to the Village's management dated August 7, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 through 2005-015 and 2005-018. We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 7, 2007.

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

We intend this report solely for the information and use of the audit committee, management, and Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

August 7, 2007

**VILLAGE OF SABINA  
CLINTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

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

**FINDING NUMBER 2005-001**

**Finding for Recovery – Karma Henson**

The employees of the Village of Sabina were paid on a bi-weekly basis. Ms. Karma Henson was hired as Village Clerk by the Village Council in March 2003 at a salary of \$18,000 per year. The Village's bank reconciliations were out of balance during the audit period; therefore we performed a "proof of cash" procedure for fiscal years 2004 and 2005. During this procedure, we identified several payroll checks written to Karma Henson that were either not posted to the cashbook or were not in sequence with the Village Employee's payroll schedule. The following table indicates unauthorized payments to Ms. Henson with explanations:

Check #	Date	Amount	Explanation
2139	5/10/04	1,468.04	Payroll check #2139 was not posted to the cashbook. It was written on 5/10/04 which is not a payroll date and there are no vouchers or support to support the expenditure. The pay dates for this month were 5/1/04, 5/15/04 and 5/29/04 and Karma Henson was paid on all of those dates. Check # 2139 cleared on 5/10/04 for \$1,468.04
2166	6/1/04	1,146.26	Payroll check #2166 was not posted to the cashbook. The cashbook indicates that checks 2166-2179 are void. This check was written on 6/1/04 which is not a payroll date and there are no vouchers or support to support the expenditure. The pay dates for this month were 6/12/04 and 6/26/04 and Karma Henson was paid on all of those dates. Check # 2166 cleared on 6/1/04 for \$1,146.26
2212	7/1/04	594.33	Payroll check #2212 was not posted to the cashbook/UAN system. It was written on 7/1/04 which is not a payroll date and there are no vouchers or support to support the expenditure. The pay dates for this month were 7/13/04 and 7/27/04 and Karma Henson was paid on both of those dates. Check # 2212 cleared on 7/2/04 for \$594.33
<b>Total</b>		<u><b>\$3,208.63</b></u>	

On September 22, 2005, the Village Council accepted Ms. Henson's resignation. On December 1, 2005, Ms. Henson was paid out for her existing balances for the following: 113.25 hours of compensatory time and 8 hours of personal leave.

Ohio Rev. Code Section 145.01 (R) provides that leave payouts of vacation, sick and personal leave are considered "earnable salary" if the leave was earned during the year of the payout and retirement should be withheld from these payouts. During our review of the withholding and remittances, we noted that retirement (Ohio Public Employees Retirement) was withheld from Ms. Henson's leave payout. These retirement withholdings were never remitted. The table below details the actual amounts withheld, what should have been withheld and what is owed to Ms. Henson:

Explanation	Calculation
8 hours of personal x \$9.09 (2005 rate) = \$72.72 x 8.5% =	\$6.18
Actual Amount withheld (never remitted)	<u>(\$93.68)</u>
<b>Amount owed to Ms. Henson</b>	<u><b>(\$87.50)</b></u>

Total amount owed by Ms. Henson is \$3,121.13 (\$3,208.63 - \$87.50)

**FINDING NUMBER 2005-001  
 (Continued)**

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code, Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Ms. Karma Henson, former Village Clerk/Treasurer, and her bonding company, Ohio Farmers Insurance Company, jointly and severally, in the amount of \$3,121.13, and in favor of the Village of Sabina's General Fund.

**FINDING NUMBER 2005-002**

**Finding for Recovery – Tim Tyree Holiday Pay & Payroll Ledger Errors**

According to the Village Policy Manual, when an employee is scheduled to work a holiday they shall receive total pay of time and a half times regular rate of pay in addition to regular Holiday pay paid on a bi-weekly basis. During testing we noted employees who worked holidays were paid 12 hours of regular pay, 6 hours of overtime pay, and 12 hours of Holiday pay. Employees should have been paid 12 hours of holiday pay and 12 hours at time and a half. To equal the time and a half times regular rate of pay per the policy manual, employees should only be receiving 4 hours of overtime pay. This resulted in the officers being paid 2 hours more of overtime than they should for every holiday worked.

Mr. Tim Tyree was hired as Police Chief by the Village Council on July 9, 1992. In 2004, his paid salary was \$31,827 a year or \$14.58 per hour. In 2005, his approved salary was \$33,418 a year of \$15.30 per hour. We performed a comparison of the holiday pay paid to Mr. Tyree to the holiday pay authorized by the Village Policy Manual for fiscal years 2004 and 2005. The following table indicates his approved holiday pay, actual payments to Mr. Tyree and any differences:

<b>Pay Date</b>	<b>Amount Authorized by Policy Manual</b>	<b>Amount Paid to Mr. Tyree</b>	<b>Difference (overpayment)</b>
1/24/04	\$437.40	\$481.14	(\$43.74)
2/21/04	437.40	481.14	(43.74)
7/10/04	437.40	481.14	(43.74)
10/16/04	437.40	481.14	(43.74)
11/13/04	437.40	481.14	(43.74)
1/22/05	459.00	504.90	(45.90)
7/9/05	459.00	504.90	(45.90)
	<u>\$3,105.00</u>	<u>\$3,415.50</u>	<u>(\$310.50)</u>

Calculations for full Holiday worked:

2004- Per Policy (12 OT \* \$21.87) + (12 Holiday \* \$14.58) = \$437.40

2004- Actual paid (12 Reg \* \$14.58) + (12 Holiday \* \$14.58) + (6 OT \* \$21.87) = \$481.14

2005- Per Policy (12 OT \* \$22.95) + (12 Holiday \* \$15.30) = \$459.00

2005- Actual paid (12 Reg \* \$15.30) + (12 Holiday \* \$15.30) + (6 OT \* \$22.95) = \$504.90

We also identified one payroll check issued to Mr. Tyree on February 7, 2004, in the amount of \$684.73. The net pay per the payroll ledger was \$680.76. This resulted in overpayment of \$3.97.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Mr. Tim Tyree, former Village Police Chief, Karma Henson, former Clerk/Treasurer, and Ohio Farmers Insurance Company, their bonding company, jointly and severally in the amount of \$314.47 (\$310.50 + \$3.97), and in favor of the Village of Sabina's General Fund.



**FINDING NUMBER 2005-003**

**Finding for Recovery – Gerald Strickland Holiday Pay & Payroll Ledger Errors**

According to the Village Policy Manual, when an employee is scheduled to work a holiday they shall receive total pay of time and a half times regular rate of pay in addition to regular Holiday pay paid on a bi-weekly basis. During testing we noted employees who worked holidays were paid 12 hours of regular pay, 6 hours of overtime pay, and 12 hours of Holiday pay. Employees should have been paid 12 hours of holiday pay and 12 hours at time and a half. To equal the time and a half times regular rate of pay per the policy manual, employees should only be receiving 4 hours of overtime pay. This resulted in the officers being paid 2 hours more of overtime than they should for every holiday worked.

Mr. Gerald Strickland was promoted to a Police Lieutenant by the Village Council on May 14, 2000. In 2003 and for the first two pays of 2004, his paid salary was \$28,638 a year or \$13.12 per hour. In 2004, his paid salary was increased to \$29,447 a year or \$13.49 per hour. In 2005, his approved salary was \$30,919 a year or \$14.16 per hour. We performed a comparison of the holiday pay paid to Mr. Strickland to the holiday pay authorized by the Village Policy Manual for fiscal years 2004 and 2005. The following table indicates his approved holiday pay, actual payments to Mr. Strickland and any differences:

Pay Date	Amount Authorized by Policy Manual	Amount Paid to Mr. Strickland	Difference (overpayment)
1/24/04	\$393.60	\$432.96	(\$39.36)
4/17/04	404.70	445.17	(40.47)
6/12/04	404.70	445.17	(40.47)
9/18/04	404.70	445.17	(40.47)
1/8/05	424.80	467.28	(42.48)
3/5/05	424.80	467.28	(42.48)
4/2/05	424.80	467.28	(42.48)
9/17/05	<u>424.80</u>	<u>467.28</u>	<u>(42.48)</u>
	<u>\$3,306.90</u>	<u>\$3,637.59</u>	<u>(\$330.69)</u>

Calculations for full Holiday worked:

- 2004- Per Policy (12 OT \* \$19.68) + (12 Holiday \* \$13.12) = \$393.60
- 2004- Per Policy with new rate (12 OT \* \$20.235) + (12 Holiday \* \$13.49) = \$404.70
- 2004- Actual paid (12 Reg \* \$13.12) + (12 Holiday \* \$13.12) + (6 OT \* \$19.68) = \$432.96
- 2004- Actual paid with new rate (12 Reg \* \$13.49) + (12 Holiday \* \$13.49) + (6 OT \* \$20.235) = \$445.17
- 2005- Per Policy (12 OT \* \$21.24) + (12 Holiday \* \$14.16) = \$424.80
- 2005- Actual paid (12 Reg \* \$14.16) + (12 Holiday \* \$14.16) + (6 OT \* \$21.24) = \$467.28

We also identified one payroll check issued to Mr. Strickland on February 7, 2004, in the amount of \$457.59. The net pay per the payroll ledger was \$414.15. This resulted in an overpayment of \$43.44.

In addition, we noted a calculation error in the payroll ledger for the pay date February 21, 2004. The payroll ledger shows a calculated gross pay in the amount of \$1,486.80. A recalculation of Mr. Strickland's gross pay on this day amounts to \$1,416.45. According to his time sheet, he was entitled to 84 hours of regular pay + 6 hours of overtime + 12 hours of holiday pay. (84\*\$13.49+6\*\$20.24+12\*\$13.49=1,416.45) This resulted in an overpayment of \$70.35.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Mr. Gerald Strickland, Village Police Chief, Karma Henson, former Clerk/Treasurer, and Ohio Farmers Insurance Company, their bonding company, jointly and severally, in the amount of \$444.48 (\$330.69 + \$43.44 + \$70.35), and in favor of the Village of Sabina's General Fund.

**FINDING NUMBER 2005-004**

**Finding for Recovery – Samuel Smith Holiday Pay & Payroll Ledger Errors**

According to the Village Policy Manual, when an employee is scheduled to work a holiday they shall receive total pay of time and a half times regular rate of pay in addition to regular Holiday pay paid on a bi-weekly basis. During testing we noted employees who worked holidays were paid 12 hours of regular pay, 6 hours of overtime pay, and 12 hours of Holiday pay. Employees should have been paid 12 hours of holiday pay and 12 hours at time and a half. To equal the time and a half times regular rate of pay per the policy manual, employees should only be receiving 4 hours of overtime pay. This resulted in the officers being paid 2 hours more of overtime than they should for every holiday worked.

Mr. Samuel Smith was employed as a Police Sergeant by the Village of Sabina. In 2004, his paid salary was \$29,782 a year or \$13.64 per hour. In 2005, his approved salary was \$31,271 a year or \$14.32 per hour. We performed a comparison of the holiday pay paid to Mr. Smith to the holiday pay authorized by the Village Policy Manual for fiscal years 2004 and 2005. The following table indicates his approved holiday pay, actual payments to Mr. Smith and any differences:

<b>Pay Date</b>	<b>Amount Authorized by Policy Manual</b>	<b>Amount Paid to Mr. Smith</b>	<b>Difference (overpayment)</b>
1/10/04 H	\$286.44	\$306.90	(\$20.46)
1/24/04	409.20	450.12	(40.92)
2/21/04	409.20	450.12	(40.92)
7/10/04*	409.20	491.04	(81.84)
10/16/04 H	286.44	306.90	(20.46)
11/13/04 H	286.44	306.90	(20.46)
1/8/05**	429.60	558.48	(128.88)
1/22/05	429.60	472.56	(42.96)
	<u>\$2,946.12</u>	<u>\$3,343.02</u>	<u>(\$396.90)</u>

Calculations for full Holiday worked:

2004- Per Policy (12 OT \* \$20.46) + (12 Holiday \* \$13.64) = \$409.20  
 2004- Actual Paid (12 Reg \* \$13.64) + (12 Holiday \* \$13.64) + (6 OT \* \$20.46) = \$450.12  
 2005- Per Policy (12 OT \* \$21.48) + (12 Holiday \* \$14.32) = \$429.60  
 2005- Actual Paid (12 Reg \* \$14.32) + (12 Holiday \* \$14.32) + (6 OT \* \$21.48) = \$472.56

Calculations for half Holiday worked (H):

2004- Per Policy (6 OT \* \$20.46) + (12 Holiday \* \$13.64) = \$286.44  
 2004- Actual Paid (6 Reg \* \$13.64) + (12 Holiday \* \$13.64) + (3 OT \* \$20.46) = \$306.90

\* Employee worked a full Holiday; paid as follows: (12 OT \* \$20.46) + (6 Reg \* \$13.64) + (12 Holiday \* \$13.64) = \$491.04

\*\* Employee worked a full Holiday; paid as follows: (18 OT \* \$21.48) + (12 Holiday \* \$14.32) = \$558.48

We also identified one payroll check issued to Mr. Smith on February 7, 2004 and a leave payout in December 2004, in the amounts of \$1,066.12 and \$2,143.03 respectively. The net pay per the payroll ledger on February 7, 2004 was \$979.64, which resulted in an overpayment of \$86.48. The net pay per the payroll ledger for the leave payout was \$2,134.03, which resulted in an overpayment of \$9.00.

**FINDING NUMBER 2005-004  
 (Continued)**

In addition, we noted calculation errors in the payroll ledger for the pay dates listed below:

<b>Pay Date</b>	<b>Recalculated Gross Pay</b>	<b>Actual Gross Pay</b>	<b>Difference (overpayment)</b>
1/10/04	\$1,432.20	\$1,446.18	(\$13.98)
1/24/04	\$1,677.72	\$1,685.58	(7.86)
2/21/04	<u>\$1,718.64</u>	<u>\$1,964.16</u>	<u>(245.52)</u>
	<u>\$4,828.56</u>	<u>\$5,095.92</u>	<u>(\$267.36)</u>

1/10/04 gross pay recalculation: (84 Reg \* \$13.64) + (6 OT \* \$20.46) + (12 Holiday \* \$13.64) = \$1,432.20

1/24/04 gross pay recalculation: (84 Reg \* \$13.64) + (18 OT \* \$20.46) + (12 Holiday \* \$13.64) = \$1,677.72

2/21/04 gross pay recalculation: (84 Reg \* \$13.64) + (20 OT \* \$20.46) + (12 Holiday \* \$13.64) = \$1,718.64

On September 22, 2005, the Village Council accepted Mr. Smith's resignation. On October 5, 2005, Mr. Smith was paid out for his existing balances for the following: 114 hours of vacation time, 114.75 hours of compensatory time and 12 hours of personal leave. According the Village Policy Manual, the employee shall accrue vacation leave per pay period (based on 26 biweekly pay periods per year). Based upon Mr. Smith's service time, he should have accrued vacation leave at a rate of 4.85 (3 weeks/year or 42 hours/week \* 3 =126 hours/26 pays) hours per pay period. The Village Clerk/Treasurer granted the full year's worth of vacation leave at the beginning of each calendar year. Upon his resignation, Mr. Smith had worked 20 pay periods. Therefore, 6 pay periods of leave were unearned which amounted to 29.1 hours (6 \* 4.85). At his 2005 pay rate of \$14.32/hour, this amounted to \$415.28.

Ohio Revised Code Section 742.01 (L) (Police and Fire Pension Fund Definitions) states that salary does not include terminal pay. Payments for accrued but unused leave, including vacation, sick, compensatory and personal leave made by an employer to an employee on termination of employment, are considered "terminal pay." During our review of the withholding and remittances, we noted that retirement (Ohio Police and Fire Pension) was withheld from Mr. Smith's leave payout in the amount of \$344.75; however it should not have been. These retirement withholdings were never remitted and are owed to Mr. Smith.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Mr. Samuel Smith, former Village Police Officer, Karma Henson, former Clerk/Treasurer, and Ohio Farmers Insurance Company, their bonding company, jointly and severally, in the amount of \$830.27 (\$396.90 + \$86.48 + \$9.00 + \$267.36 + \$415.28 - \$344.75), and in favor of the Village of Sabina's General Fund.

**FINDING NUMBER 2005-005**

**Finding for Recovery – Shane Nolley Holiday Pay & Payroll Ledger Errors**

According to the Village Policy Manual, when an employee is scheduled to work a holiday they shall receive total pay of time and a half times regular rate of pay in addition to regular Holiday pay paid on a bi-weekly basis. During testing we noted employees who worked holidays were paid 12 hours of regular pay, 6 hours of overtime pay, and 12 hours of Holiday pay. Employees should have been paid 12 hours of holiday pay and 12 hours at time and a half. To equal the time and a half times regular rate of pay per the policy manual, employees should only be receiving 4 hours of overtime pay. This resulted in the officers being paid 2 hours more of overtime than they should for every holiday worked.

Mr. Shane Nolley was employed as a Police Patrolman by the Village of Sabina. In 2004, his paid salary was \$23,435 a year or \$10.73 per hour. In 2004, his approved salary was increased on his anniversary date to \$24,008 a year or \$11.00 per hour. We performed a comparison of the holiday pay paid to Mr. Nolley to the holiday pay authorized by the Village Policy Manual for fiscal year 2004. The following table indicates his approved holiday pay, actual payments to Mr. Nolley and any differences:

**FINDING NUMBER 2005-005  
 (Continued)**

Pay Date	Amount Authorized by Policy Manual	Amount Paid to Mr. Nolley	Difference (overpayment)
1/10/04 H	\$225.33	\$241.43	(\$16.10)
4/17/04	\$321.90	\$354.09	(32.19)
9/18/04	\$330.00	\$363.00	(33.00)
10/16/04* H	\$231.00	\$280.50	(49.50)
11/13/04 H	<u>\$231.00</u>	<u>\$247.50</u>	<u>(16.50)</u>
	<u>\$1,339.23</u>	<u>\$1,486.52</u>	<u>(\$147.29)</u>

Calculations for full Holiday worked:

2004-Per Policy (12 OT \* \$16.095) + (12 Holiday \* \$10.73) = \$321.90

2004-Per Policy with new rate (12 OT \* \$16.50) + (12 Holiday \* \$11.00) = \$330.00

2004- Actual paid (12 Reg \* \$10.73) + (12 Holiday \* \$10.73) + (6 OT \* \$16.095) = \$354.09

2004- Actual paid with new rate (12 Reg \* \$11.00) + (12 Holiday \* \$11.00) + (6 OT \* \$16.50) = \$363.00

Calculations for half Holiday worked (H):

2004-Per Policy (6 OT \* \$16.095) + (12 Holiday \* \$10.73) = \$225.33

2004-Per Policy with new rate (6 OT \* \$16.50) + (12 Holiday \* \$11.00) = \$231.00

2004- Actual paid (6 Reg \* \$10.73) \* (12 Holiday \* \$10.73) + (3 OT \* \$16.095) = \$241.43

2004- Actual paid with new rate (6 Reg \* \$11.00) \* (12 Holiday \* \$11.00) + (3 OT \* \$16.50) = \$247.50

\* Employee worked a half Holiday; paid as follows: (9 OT \* \$16.50) + (12 Holiday \* \$11.00) = \$280.50

We also identified one payroll check issued to Mr. Nolley on February 7, 2004, in the amount of \$709.19. The net pay per the payroll ledger was \$703.77. This resulted in an overpayment of \$5.42.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Mr. Shane Nolley, former Village Police Officer, Karma Henson, former Clerk/Treasurer, and Ohio Farmers Insurance Company, their bonding company, jointly and severally, in the amount of \$152.71 (\$147.29 + \$5.42), and in favor of the Village of Sabina's General Fund.

**FINDING NUMBER 2005-006**

**Finding for Recovery – Leonard Sines Holiday Pay & Payroll Ledger Errors**

According to the Village Policy Manual, when an employee is scheduled to work a holiday they shall receive total pay of time and a half times regular rate of pay in addition to regular Holiday pay paid on a bi-weekly basis. During testing we noted employees who worked holidays were paid 12 hours of regular pay, 6 hours of overtime pay, and 12 hours of Holiday pay. Employees should have been paid 12 hours of holiday pay and 12 hours at time and a half. To equal the time and a half times regular rate of pay per the policy manual, employees should only be receiving 4 hours of overtime pay. This resulted in the officers being paid 2 hours more of overtime than they should for every holiday worked.

Mr. Leonard Sines was employed as a Police Patrolman by the Village of Sabina. In 2005, his paid salary was \$25,208.40 a year or \$11.54 per hour. We performed a comparison of the holiday pay paid to Mr. Sines to the holiday pay authorized by the Village Policy Manual for fiscal year 2005. The following table indicates his approved holiday pay, actual payments to Mr. Sines and any differences:

**FINDING NUMBER 2005-006  
 (Continued)**

<b>Pay Date</b>	<b>Amount Authorized by Policy Manual</b>	<b>Amount Paid to Mr. Sines</b>	<b>Difference (overpayment)</b>
4/2/05	\$346.20	\$380.82	(\$34.62)
9/17/05	\$346.20	\$380.82	(34.62)
10/15/05*	\$346.20	\$450.06	(103.86)
11/12/05	<u>\$346.20</u>	<u>\$380.82</u>	<u>(34.62)</u>
	<u>\$1,384.80</u>	<u>\$1,592.52</u>	<u>(\$207.72)</u>

Calculation for full Holiday worked:

2005- Per Policy (12 OT \* \$17.31) + (12 Holiday \* \$11.54) = \$346.20

2005- Actual paid (12 Reg \* \$11.54) + (12 Holiday \* \$11.54) + (6 OT \* \$17.31) = \$380.82

\* Employee worked a full Holiday; paid as follows: (18 OT \* \$17.31) + (12 Holiday \* \$11.54) = \$450.06

During our testing we identified one instance of the time sheet not agreeing to the actual payment. On October 1, 2005, Mr. Sines was paid for 19 hours of overtime, while his time sheet only indicated he worked 2.5 hours. This difference resulted in an overpayment of \$285.61. (hourly rate of \$11.54 \* 1.5 = 17.31 overtime rate. Actual pay: \$17.31 \* 19 = \$328.89 Timesheet pay: \$17.31 \* 2.5 = \$43.28)

We also identified one payroll check issued to Mr. Sines on August 20, 2005, in the amount of \$781.57. The net pay per the payroll ledger was \$718.57. This resulted in an overpayment of \$63.00.

On November 10, 2005, the Village Council accepted Mr. Sines' resignation. On November 18, 2005, Mr. Sines was paid out for his existing balances for the following: 77.25 hours of compensatory time and 36 hours of personal leave. Ohio Revised Code Section 742.01 (L) (Police and Fire Pension Fund Definitions) states that salary does not include terminal pay. Payments for accrued but unused leave, including vacation, sick, compensatory and personal leave made by an employer to an employee on termination of employment, are considered "terminal pay." During our review of the withholding and remittances, we noted that retirement (Ohio Police and Fire Pension) was withheld from Mr. Sines' leave payout in the amount of \$130.69; however it should not have been. These retirement withholdings were never remitted and are owed to Mr. Sines.

Total amount owed by Mr. Sines is \$425.64 (\$207.72 + \$285.61 + \$63.00 - \$130.69)

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Mr. Leonard Sines, former Village Police Officer, Karma Henson, former Clerk/Treasurer, and Ohio Farmers Insurance Company, their bonding company, jointly and severally, in the amount of \$391.02, and in favor of the Village of Sabina's General Fund

Also, in accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Mr. Leonard Sines, former Village Police Officer, his bonding company, Ohio Farmers Insurance Company, and Jodi Rolston, Village Fiscal Officer, jointly and severally, in the amount of \$34.62, and in favor of the Village of Sabina's General Fund. Jodi Rolston was bonded from the period of 3/31/06 to 3/31/07 and therefore, was not bonded for this payment.

#### FINDING NUMBER 2005-007

##### Finding for Recovery – Dale Huffman Overpayment

Mr. Dale Huffman is employed as a Utility Worker by the Village of Sabina. In 2004, his paid salary was \$22,511 a year or \$10.82 per hour. In 2004, his salary was increased on his anniversary date to \$23,185 a year or \$11.15 per hour. This latter rate was in effect for 2005 until the retroactive rates were approved in May 2005.

During our testing we identified one instance of the time sheet not agreeing to the actual payment. On July 24, 2004, Mr. Huffman was paid for 3 hours of overtime, while his time sheet only indicated he worked 2 hours. This difference resulted in an overpayment of \$16.23. (2004 hourly rate of \$10.82 \* 1.5 = \$16.23)

We also identified one payroll check issued to Mr. Huffman on February 7, 2004, in the amount of \$755.70. The net pay per the payroll ledger was \$734.19. This resulted in an overpayment of \$21.51.

In addition, we noted a calculation error in the payroll ledger for the pay date March 19, 2005. The payroll ledger shows a calculated gross pay in the amount of \$1,048.92. A recalculation of Mr. Huffman's gross pay on this day amounts to \$958.92. According to his time sheet, he was entitled to 80 hours of regular pay + 4 hours of overtime. ( $80 * \$11.15 + 4 * \$16.73 = \$958.92$ ) This resulted in an overpayment of \$90.00.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Mr. Dale Huffman, Village Utility Worker, Karma Henson, former Clerk/Treasurer, and Ohio Farmers Insurance Company, their bonding company, jointly and severally, in the amount of \$127.74 (\$16.23 + \$21.51 + \$90.00), and in favor of the Village of Sabina's General Fund.

#### FINDING NUMBER 2005-008

##### Noncompliance Citation/Material Weakness

**Ohio Rev. Code, Section 5705.09(F)**, provides that each subdivision shall establish a special fund for each source of revenue derived from a source other than the general property tax which the law requires to be used for a particular purpose. Monies were not always posted to the particular fund specified by their purpose. Ohio Rev. Code, Section 5705.10 (H), provides that monies paid into any fund shall be used only for the purpose for which such fund is established.

The Village posted property taxes at the net amount instead of the gross amount; intergovernmental, mayor's court and utilities receipts were not posted to the Village's UAN system; intergovernmental receipts were posted twice; intergovernmental receipts were posted to fines, licenses and permits receipts or miscellaneous receipts; income tax and mayor's court receipts were posted to other financing sources rather than income tax or fines, licenses and permits receipts; and Homestead and Rollback receipts were posted to taxes rather than intergovernmental receipts. The following table reflects the net effect of the adjustments on the financial statements.

**FINDING NUMBER 2005-008  
 (Continued)**

	Net Effect of Adjustments on Fund Balance at December 31, 2005
General Fund	(\$15,160)
Street Construction & Maintenance Fund	(\$2,426)
State Highway Fund	(\$6,719)
2092 Police Trust Fund	\$6,009
Police Disability & Pension Fund	\$3,540
2902 Water Service Deposit Fund	(\$10,700)
2903 Police Trust Fund	(\$5,809)
Water Fund	\$15,097
Sewer Fund	(\$4,679)
Pool Fund	(\$349)
5781 Water Service Deposit Fund	\$13,547

Audit adjustments have been posted to the Village's financial records and are reflected in the accompanying financial statements to properly reflect receipts and disbursements of the Village. As a result, the records maintained by the Fiscal Officer were not an accurate reflection of all moneys received and expended by the Village. Failure to accurately prepare and reconcile the accounting records 1) reduces the accountability over Village funds, 2) reduces the Council's ability to monitor financial activity and make informed financial decisions, 3) increases the likelihood that moneys will be misappropriated and not detected, and 4) increases the likelihood that the financial statements will be misstated.

We recommend the Fiscal Officer accurately maintain the accounting records in accordance with the uniform accounting system prescribe by the Auditor of State. The Village should adopt procedures to properly monitor the Village's financial activity.

**FINDING NUMBER 2005-009**

**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 thereof, and all taxes and assessments. Although the Village fiscal officer maintained accounting records, the records contained numerous posting errors resulting audit adjustments and reclassifications to the 2004 and 2005 financial statements. In addition, reconciliations were not always performed correctly or in a timely manner during the audit period. As a result, the records maintained by the Fiscal Officer were not an accurate reflection of all moneys received and expended.

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

**FINDING NUMBER 2005-009  
(Continued)**

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

**FINDING NUMBER 2005-010**

**Noncompliance Citation/Material Weakness**

**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 appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

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

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.



**FINDING NUMBER 2005-010  
 (Continued)**

The availability of funds was not certified prior to the time of commitment in 20% of expenditures tested in 2005 and 46% of expenditures tested in 2004, nor did the Village use the aforementioned exceptions. The fiscal officer did not certify, by evidence of her signature, 60% of expenditures tested in 2005 and 38% of expenditures in 2004. In addition, the Village did not establish by resolution a limit for regular blanket certificates used in 2004. Every effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly encumber could result in overspending funds and negative cash fund balances.

Unless the Village uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Village should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

**FINDING NUMBER 2005-011**

**Noncompliance Citation/Reportable Condition**

**Ohio Rev. Code, Section 5705.41(B)**, prohibits a subdivision from making an expenditure unless it has been properly appropriated. The following funds had expenditures which exceeded appropriations:

<b>2004</b>	Appropriations	Expenditures	Variance
General Fund	\$363,440	\$369,384	(\$5,944)

  

<b>2005</b>	Appropriations	Expenditures	Variance
General Fund	\$405,873	\$408,046	(\$2,173)
Pool Fund	30,638	34,496	(3,858)

Failure to monitor budgetary activity can result in overspending and negative fund balances. We recommend the Clerk deny any payments until the legislative authority has passed the necessary changes to the appropriation measure. The management of the Village should monitor the Village's budgetary receipts and expenditures by having the clerk provide budgetary reports at least quarterly to be reviewed and approved by Council. By regularly monitoring its budgetary position throughout the year, the Village will be better able to determine when amendments need to be made to original budgeted receipts thus avoiding negative fund/account code balances, and will be better prepared for making decisions which effect the overall cash position of the Village.

**FINDING NUMBER 2005-012**

**Noncompliance Citation/Reportable Condition**

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

**In addition, Ohio Rev. Code, Section 5705.36(A)(2)**, allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. 5705.36(A)(3) requires obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend excess revenue. 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation. The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation. In 2005, the following funds had appropriations exceeding estimated resources.

<b>2005</b>	<b>Appropriations</b>	<b>Estimated Resources</b>	<b>Variance</b>
Other Capital Projects Fund	\$5,000	\$0	(\$5,000)
Sewer Fund	695,988	643,489	(52,499)
Pool Fund	30,450	22,962	(7,488)

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

**FINDING NUMBER 2005-013**

**Noncompliance Citation**

**Ohio Rev. Code, Section 5705.12**, states that in addition to the funds provided for by Ohio Revised Code, Sections 5705.09, 5705.121, 5705.13 and 5705.131, the taxing authority of a subdivision may establish other funds, with the approval of the Auditor of State. The subdivision may provide by ordinance or resolution that money derived from special sources other than the general property tax shall be paid directly into such funds. It is necessary to request the Auditor of State's permission to establish any fund not specifically authorized by statute or when the purpose of the fund is not identified in Ohio Revised Code Section 5705.39 (A) – (H). Approval to establish a new fund is unnecessary when statutes already authorize or require it.

In 2004, the Village established a Police Trust Fund (2092) and a Water Service Deposit Fund (7001). In 2005, the Village established a Water Service Deposit Fund (2902) and a Police Trust Fund (2903). The Village Council did not approve the establishment of these funds, nor did the Village obtain the permission of the Auditor of State.

Failure to obtain approval could result in establishment of funds that are not permissible within the Ohio Revised Code. We recommend that the Village Council approve all new funds and obtain Auditor of State approval if necessary.

## FINDING NUMBER 2005-014

### Material Weakness

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

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

**Ohio Rev. Code, Section 705.27**, provides, in part, that municipal treasurer and auditors are required to give a bond to the municipal corporation for the faithful performance of their duties. Ohio Rev. Code, Section 733.69, further provides that any officer of a municipal corporation required by law to give a bond must do so before taking office.

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

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

- Monthly financial reports were not presented and approved by Council;
  - Bank reconciliations
    - 2004: presented 2/12 (17%) months, approved 0/12 (0%) months
    - 2005: presented 0/12 (0%) months, approved 0/12 (0%) months
  - Water/sewer reports
    - 2004: presented 8/12 (67%) months, approved 0/12 (0%) months
    - 2005: presented 0/12 (0%) months, approved 0/12 (0%) months
  - Mayor's court reports
    - 2004: presented 9/12 (75%) months, approved 0/12 (0%) months
    - 2005: presented 0/12 (0%) months, approved 0/12 (0%) months

**FINDING NUMBER 2005-014  
(Continued)**

- Village books were not always reconciled to the bank accurately and in a timely manner;
  - 2004: First 6 months were not dated, last six were timely (6/12=50%)
  - 2005: 3/12 months (25%) were not timely
  - Reconciliations contained unsupported reconciling items (adjusting items)
  - After proof of cash procedures at December 31, 2005, an unknown variance of \$3,803 existed between the bank and the Village books.
- During the conversion to UAN in 2004, the classification for receipts and disbursements posted as part of the conversion did not agree to the underlying receipts and appropriation ledgers;
  - Revenues: 4/38 (11%) of the line items did not agree
  - Expenditures: 28/113 (25%) of the line items did not agree
- The minutes did not include all significant actions taken by Council (detailed in Finding 2005-015);
- Expenditures were posted to improper funds (adjustments summarized in Finding 2005-008);
- Receipts were not posted to the UAN system until well after the receipt date and/or deposit. For some months, all transactions were entered into the system at the end of the month;
  - 2004: this occurred in 4/12 (33%) months
  - 2005: this occurred in 2/12 (17%) months
- Receipts and expenditures were never posted to the accounting system (adjustments resulting from this are summarized in Finding 2005-008);
- Manual checks were written, particularly at the beginning of each calendar year;
  - 2004: all checks were manual even after started on UAN in July 2004.
  - 2005: all January checks and all February through May payroll checks were manual.
- Large, unauthorized adjustments were posted to funds;
  - 2004: Unapproved, unsupported Fund Balance Adjustments were posted to the UAN system in the following funds and amounts (General +\$18,815.17; State Highway +\$720.56; Water (\$19,530.91)). These were reversed in the UAN by Finding 2005-008.
- Late payment fees were paid on bills (OPERS and OP&F in 2005).
- The Fiscal Officer was not individually bonded from her hire date 10/28/05 through 12/31/05. (2/24 months = 10%)

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

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

**FINDING NUMBER 2005-014**  
**(Continued)**

- Monthly budget and actual financial reports be prepared and submitted to Council. This submission should occur prior to the regular Council meetings so that Council members have an opportunity to review the information and ask informed questions at the Council meetings. Discussion and approval of the monthly financial reports should be documented in the minutes;
- When invoices are received, a comparison should be made between the goods/services included on the invoice and the goods/services received. The official/department head which received the goods should perform this comparison and indicate his/her review by initializing the invoice. The initials indicate the goods/services were received and the invoice is approved for payment. Invoices should be attached to all voucher packets;
- Once invoices have been approved for payment, the Fiscal Officer should issue the corresponding check and stamp the invoice "Paid." The invoice should be filed with the voucher packet;
- Village checks should be signed by the Fiscal Officer and one Council member and written in sequential order. The Village Mayor began dual-signing checks in November 2006. Prior to signing the checks, the Council member should agree the vendor name and amount on the check to the invoice;
- Manual checks should not be written unless absolutely necessary. Usage of manual checks resulted in the UAN system check number not matching the actual check number making preparation of the monthly reconciliations difficult;
- Receipts should be posted to the UAN system upon receipt of the monies and/or deposit to ensure that monies are posted to the proper funds;
- Duplicate receipts should be signed by the clerk;
- Vouchers packets should be maintained in numerical sequence;
- Council should ensure that bills be paid on a timely basis to avoid late charges;
- Fund balance adjustments should be reviewed and approved by Council;
- Minutes of Council meetings should be prepared, approved, and available for public inspection in a timely manner. The minutes should also include all actions taken by Council during those meetings. For each regular meeting, the Fiscal Officer should provide Council members with detailed budget and actual financial statements, cash balances, checks paid, outstanding encumbrances, receipts and bank reconciliations. These periodic reviews should be noted in the minutes and documents reviewed should be initialed by the reviewer;
- Officials should periodically review the records to determine accuracy and to assure themselves that proper procedures are followed by the fiscal officer.

### FINDING NUMBER 2005-015

#### Reportable Condition

White v. Clinton Cty. Bd. of Comms., 76 Ohio St.3d 416, Ohio Rev. Code Sections 121.22, and 149.43 when read together impose a duty on the Village to maintain a full and accurate record of their proceedings. Minutes of meetings must be promptly recorded and open for public inspection per State ex rel. Fairfield Leader v. Ricketts, 56 Ohio St.3d 97.

While reading the minutes, we noted the following items:

- The wrong dates and wrong amounts were noted for some bills lists approved at the meetings.
  - 2004: 7/24 (29%) meetings
  - 2005: 4/26 (15%) meetings
- The Council President/Mayor did not sign 23 of 28 minute records in 2005.
- The Fiscal Officer did not sign 23 of 28 minutes in 2005 and 5 of 30 minute records in 2004.
- At the December 30, 2005 meeting, the executive session did not note the reason.

The Village did not document decisions concerning bill payments and monthly reconciliations. In as much as the Village Council speaks through its minutes, all actions of the Village should be documented in the minute records with as much detail as possible, and with proper and accurate reference to supporting documentation. Without proper authorization, illegal transactions or payments could occur without the knowledge of the Village officials. Also, these records will provide management with the needed future references for informed decision making, and be available for the public inspection of legislative decisions of the Village Council.

### FINDING NUMBER 2005-016

#### Noncompliance Citation/Reportable Condition

**Ohio Rev. Code, Section 9.38**, provides that public money must be deposited with the Fiscal Officer of the public office or to the designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of the receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited. During testing we noted the following items not deposited timely:

#### 2004

- Building permits: 6 of 13 (46%) receipts tested. (2-27 days late)
- Miscellaneous receipts: 14 of 61 (23%) receipts tested. (2-14 days late)
- Mayor's Court receipts: 57 of 80 (71%) receipts tested. (2-19 days late)
- Mayor's Court monthly village distributions: 5 of 11 (45%) (4-23 days late)
- Utilities receipts: 2 of 12 (17%) receipts tested. (2-4 days late)
- Pool receipts: 1 of 10 (10%) receipts tested. (2 days late)

**FINDING NUMBER 2005-016  
(Continued)**

2005

- Utilities receipts: 1 of 8 (13%) receipts tested. (2 days late)
- Pool receipts: 2 of 10 (20%) receipts tested. (2-3 days late)

Failing to deposit monies within the required time period could cause receipts to be susceptible to loss or theft.

We recommend the Village implement procedures to ensure deposits are made within one business day of receipt. As an alternative, the Village may adopt a policy permitting a different time period. Auditor of State Bulletin 99-020 provides further guidance on this issue.

**FINDING NUMBER 2005-017**

**Material Weakness**

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

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

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:

- For 2004 and 2005, membership application forms could not be located.
- During 2004, a cash register was implemented at the pool; however, this was merely being used as a cashbox. No register tape was maintained. The cash register was used as such in 2005 and register tapes were maintained.
- Cash register tapes in 2005 did not always agree with the Daily Admission Closeout Sheets, nor were they always complete.
- Daily Closeout Sheets in 2005 did not always agree to the admissions receipts reported on the daily sign-in admission sheets.

**FINDING NUMBER 2005-017  
(Continued)**

- For 2004 and 2005, memberships per member sign-in sheets could not always be traced to duplicate receipts or deposit slips.
- Duplicate receipts were not always signed by the clerk/fiscal officer.
- 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;
- All pool membership applications should be initialed and dated by the Village employee upon acceptance;
- All pool membership applications should be maintained and a master list of members created for review to ensure that all admissions fees have been collected and deposited;
- Two 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 reconciled and attached to the daily Closeout sheets.
- The cash register should be programmed for sale items and the register tape should be reconciled and attached to the daily till report.

**FINDING NUMBER 2005-018**

**Noncompliance Citation/Material Weakness**

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

- Ensure that all transactions are properly authorized in accordance with management's policies.
- Ensure that accounting records are properly designed.
- Ensure adequate security of assets and records.
- Plan for adequate segregation of duties or compensating controls.



**FINDING NUMBER 2005-018**  
**(Continued)**

- Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.
- Perform analytical procedures to determine the reasonableness of financial data.
- Ensure the collection and compilation of the data needed for the timely preparation of financial statements.
- Monitor activities performed by service organizations.

**Ohio Rev. Code, Section 733.40**, states that the Mayor needs to maintain an accountability of all money collected in the name of the office. Very few internal controls were noted to be in operation for the Mayor's Court, record keeping was inaccurate and inconsistent, and there appeared to be little progress on the part of either the Village Council or Management to develop appropriate administrative functions. Lack of controls and poor recordkeeping increases the risk that theft, fraud or errors could occur and not be detected in a timely manner.

The Village did not have adequate control procedures over the operation of the Mayor's Court. The following conditions were noted:

- Reconciliations were not performed 3 of 12 months (25%). These reconciliations did not reconcile to zero, nor were they reviewed by the Mayor.
- An open items list was not maintained by the Court Clerk. An open items list would support the Mayor's Court ending balances and would facilitate the Court's monthly bank reconciliations.
- A statement of receipts for the Mayor's Court should be prepared and turned into Council each month. Mayor's Court monthly reports were not reviewed 3 of 12 months (25%) by Council.
- Mayor's Court monthly reports were not signed 11 of 12 months (92%) by the Mayor.
- Distributions to the Village from the Mayor's Court were not deposited in a timely manner 5 of 11 (45%) months tested.
- Deposits of fines received were not deposited in a timely manner 57 of 80 (71%) items tested.
- The docket was not always complete, nor was it signed off on by the Mayor indicating his review. After moving to an electronic docket format in mid 2004, the Clerk and/or Magistrate did not always document the ruling on each case, nor did it list how the fine/court costs were to be assessed. The dockets tested did not indicate the decision for 43 of 80 (54%) tested.
- The cashbook should also be completed for all monies received by the mayor's court. The disbursements to the Village and State are based upon the completion and footing of the cashbook. Although the court continued collecting fines and depositing in the court bank account until it was closed in September 2005, the cashbook was not maintained after the court was discontinued in October 2004. Discontinued use of the Mayor's Court cashbook resulted in the inability to give accurate distributions of fines to the State, if necessary. The funds remaining in the Court bank account were transferred to the Village in September 2005. The funds should be reviewed to determine proper distribution if necessary to the state. The cashbook was not completed for 12 of 80 (15%) items tested.

**FINDING NUMBER 2005-018  
(Continued)**

- Payments to the Village and State should be remitted by the first Monday of each month. 8 of 10 (80%) months tested were not distributed within the required time frame.
- Fines assessed should agree to the fine amount per the Village Ordinance. On February 26, 2004, Village Council approved the increase of Mayor's Court cost fees to \$75. This higher rate not always collected.
- The records of the Mayor's Court should allow for determination of issuance, voidance, or collection of fines in the Mayor's Court account. Several tickets could not be accounted for in the Village's records.
- Many payment plans were still on file with the Village (53 cases totaling \$11,245.56 in outstanding fines). Many have not been paid on for years.

The Mayor did not perform a detailed reconciliation each month. Monthly reconciliations should show a detail of how the bank balance goes back to the book balance. Without detailed reconciliations it may be difficult to determine whether the amount remaining in the bank ties to the book balance. Detailed reconciliations also help the Court Clerk track both positive and negative balances as well as bonds still on hand. The Mayor should be reconciling monthly as a means of verifying that book balances are totaling open items and that the book reconciles with the bank. Per a review of the Mayor's Court records, no open items list has been maintained for years. As a result of not maintaining a cashbook, there were several receipts that were not disbursed to the State as many have been required. We recommend that the Court review the receipts received after the Mayor's Court was discontinued to determine what funds may have been required to be disbursed to the State. The Mayor's Court was not intended to accumulate funds but is merely a holding account for fines being paid to either the Village, State, or held for bond.

Without accurate documentation as to what the excess bank balance consists of, i.e. who these excess funds are owed to, the Village is not meeting any of the five assertions in regards to the Agency Fund. The excess bank balance has been evident since prior to 2003, therefore the existence and/or occurrence of the amount is unable to be identified by the Village. The Mayor's Court account is intended to be zeroed out each month once all funds owed to the State, the Village, and/or violators are disbursed, therefore having a bank balance with no source documentation for support prohibits the assurance of completeness. With no documentation regarding who the excess funds are due the Village Mayor's Court is unable to determine which party has the rights to these funds. Valuation and/or allocation is unable to be determines since there is no assurance as to the rights of these funds. The financial statements presentation and disclosure of the Agency Fund includes a balance that is unable to be identified, which resulted in a qualified audit opinion.

**FINDING NUMBER 2005-019**

**Material Weakness**

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

- Ensure that all transactions are properly authorized in accordance with management's policies.
- Ensure that accounting records are properly designed.
- Ensure adequate security of assets and records.
- Plan for adequate segregation of duties or compensating controls.

**FINDING NUMBER 2005-019  
(Continued)**

- Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.
- Perform analytical procedures to determine the reasonableness of financial data.
- Ensure the collection and compilation of the data needed for the timely preparation of financial statements.
- Monitor activities performed by service organizations.

Very few internal controls were noted to be in operation for the payroll disbursements process, record keeping was inaccurate and inconsistent, and there appeared to be little progress on the part of either the Village Council or Management to develop appropriate administrative functions. Lack of controls and poor recordkeeping increases the risk that theft, fraud or errors could occur and not be detected in a timely manner.

The Village did not have adequate control procedures over the operation of the payroll disbursements process. The following conditions were noted:

- Vacation leave policy from the Policy Manual was not followed. The Policy Manual states that vacation leave should be accrued each pay period. Our review indicated that a lump sum of leave was posted at the beginning of each calendar year.
- Employee personnel files did not contain all necessary information, including: hiring authorization, position and authorized salary rate.
- Employees' raises were not in accordance with the Policy Manual. The Policy Manual states that Council, using the Performance Appraisal System shall make advancement from step to step within the pay range, and any salary increase will be effective at the beginning of the pay period following the approved increase. Employees received raises annually on their anniversary date. Our review indicated that employee raises were "automatic" and were not approve by Council.
- Holiday pay policy from the Policy Manual was not followed. The Policy Manual states that when an employee is scheduled to work a holiday they shall receive total pay of time and a half times regular rate of pay in addition to regular Holiday pay. During testing we noted police officers who work holidays are paid 12 hours of regular pay, 6 hours of overtime pay, and 12 hours of Holiday pay. This resulted in the officers being paid 2 hours more of overtime than they should for every holiday worked.
- Compensatory time was not monitored in accordance with the Village Policy Manual. The Policy Manual states that:
  - Accumulated compensatory time during one pay period must be used within twelve months of the date it is accrued unless permission is given by the appointing authority to use it at a later period.
  - Employees may accrue up to two hundred forty (240) hours of compensatory time.

The Village was not tracking if comp time was used within 12 months of being earned and there was also no indication where Council approved comp time to be used at a later date. During testing, we noted some employees who were accumulating many years of compensatory time, in excess of the maximum allowed, when they left service were paid out for more hours than they should have per policy.

**FINDING NUMBER 2005-019  
(Continued)**

- State and Federal withholdings were not remitted in proper amounts.
  - 2004: Federal was under-remitted by \$433.93  
State was under-remitted by \$353.11
  - 2005: Federal tax was withheld for a Council Member but was never remitted. (\$825)
- Neither Social Security nor PERS was withheld for Council Members in 2004 or 2005.
- There were several unsupported disbursements during the audit period to the former clerk. (Detailed in Finding 2005-001)
- Time paid did not always agree to the hours on the timesheet resulting in some employees overpaid and some underpaid.
- Numerous footing/cross-footing errors were noted in the payroll ledger.
- Leave usage per the timesheets did not agree to what was recorded on the leave spreadsheet.
- Retirement was withheld from several employees leave payout checks and should not have been. In addition, the Village did not remit these withholdings to the appropriate retirement system.
- Some timesheets could not be located for 2005.
- Sick leave policy from the Policy Manual was not followed. The Policy Manual states that new employees are eligible to take sick leave after completion of the probationary period of six months. During 2005 testing, we noted one employee who took sick leave during his probationary period.
- Village paid various penalties and fees to OPERS and OP&F for late reporting and remittance of withholdings.

The Village did not follow the approved Policy Manual. The Policy Manual details the leave policies for employees, how pay raises are to be handled and how holiday pay is to be determined. Not following the approved Policy Manual allows for potential unallowable payments or unauthorized salary increases to employees. The procedures for accruing leave, its usage and potential pay-out should agree to the approved Policy Manual. Any pay raises and holiday pay should also agree to the approved Policy Manual. As a result of not following the approved Policy Manual, vacation leave was not accrued correctly, sick leave was paid at an unallowable time, holiday pay was paid at incorrect amounts, compensatory time was accrued and paid in excess of policy, and employee raises were not approved by Council. The overpayment of holiday pay resulted in findings for recovery. All of these items resulted in and are detailed in Findings 2005-001 through 2005-007. We recommend that the fiscal officer and Village Council review the approved Policy Manual and follow it when paying leave of any type and when increasing employee pay rates.

**We received the following response from Village officials related to the findings:**

We acknowledge the receipt of the audit and the information that it contains.

Please be advised that we are investigating the findings and the information and we will determine the appropriate action to correct the material findings.

We will advise you of our projected cause of action.

**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; <b><i>Explain</i></b>
2003-001	Ohio Rev. Code, Section 5705.41 (D), failure to certify the availability of funds	No	Repeat as Finding 2005-010
2003-002	Material Weakness – manual ledgers were not complete or accurate	No	Included in Finding 2005-008
2003-003	Ohio Rev. Code, Section 733.28, failure to accurately prepare and maintain the financial records	No	Repeat as Finding 2005-009
2003-004	Material Weakness – failure to accurately reconcile Village books to the bank balances	No	Included in Finding 2005-014
2003-005	Reportable Condition – failure to maintain adequate controls over the swimming pool and concessions operations	No	Repeat as Finding 2005-017





**Mary Taylor, CPA**  
Auditor of State

VILLAGE OF SABINA

CLINTON COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
AUGUST 23, 2007