



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 year ended December 31, 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Government because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2006. Instead of the combined funds the accompanying financial statements present for 2006, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006. 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.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2006 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, 2006, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Sabina, Clinton County, as of December 31, 2006, and its combined cash receipts and disbursements for the year 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 year ended December 31, 2006. 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, 2006**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts:</b>					
Property and Local Taxes	\$81,127	\$26,036	\$0	\$0	\$107,163
Municipal Income Tax	387,339	0	0	0	387,339
Intergovernmental	101,780	166,197	0	19,647	287,624
Fines, Licenses and Permits	9,042	0	0	0	9,042
Earnings on Investments	62,601	8,853	0	0	71,454
Miscellaneous	16,226	39	0	0	16,265
<b>Total Cash Receipts</b>	<b>658,115</b>	<b>201,125</b>	<b>0</b>	<b>19,647</b>	<b>878,887</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons & Property	341,436	3,975	0	0	345,411
Leisure Time Activities	1,855	0	0	0	1,855
Transportation	0	179,489	0	0	179,489
General Government	175,081	0	0	0	175,081
Capital Outlay	0	0	0	19,647	19,647
Debt Service:					
Principal Payment	0	0	64,374	0	64,374
Interest and Fiscal Charges	0	0	62,317	0	62,317
<b>Total Cash Disbursements</b>	<b>518,372</b>	<b>183,464</b>	<b>126,691</b>	<b>19,647</b>	<b>848,174</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>139,743</b>	<b>17,661</b>	<b>(126,691)</b>	<b>0</b>	<b>30,713</b>
<b>Other Financing Receipts/(Disbursements):</b>					
Sale of Fixed Assets	987	0	0	0	987
Transfers-In	0	0	126,692	33,000	159,692
Transfers-Out	(10,000)	0	0	0	(10,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(9,013)</b>	<b>0</b>	<b>126,692</b>	<b>33,000</b>	<b>150,679</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements</b>	<b>130,730</b>	<b>17,661</b>	<b>1</b>	<b>33,000</b>	<b>181,392</b>
Fund Cash Balance, January 1	\$203,508	\$192,231	\$0	\$5,240	\$400,979
<b>Fund Cash Balance, December 31</b>	<b>\$334,238</b>	<b>\$209,892</b>	<b>\$1</b>	<b>\$38,240</b>	<b>\$582,371</b>

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

VILLAGE OF SABINA  
CLINTON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<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	\$654,340	\$0	\$654,340
Miscellaneous	15,724	0	15,724
	<hr/>	<hr/>	<hr/>
Total Operating Cash Receipts	670,064	0	670,064
<b>Operating Cash Disbursements:</b>			
Current:			
Personal Services	159,885	0	159,885
Employee Fringe Benefits	80,922	0	80,922
Contractual Services	159,990	0	159,990
Supplies and Materials	84,498	0	84,498
Other	7,392	0	7,392
	<hr/>	<hr/>	<hr/>
Total Operating Cash Disbursements	492,687	0	492,687
Operating Income	<hr/>	<hr/>	<hr/>
	177,377	0	177,377
<b>Non-Operating Receipts/Disbursements</b>			
Intergovernmental	0	0	0
Special Assessments	10,586	0	10,586
Miscellaneous Receipts	1,547	0	1,547
Capital Outlay	(161,537)	0	(161,537)
	<hr/>	<hr/>	<hr/>
Total Non-Operating Receipts/Disbursements	(149,404)	0	(149,404)
Income			
Before Interfund Transfers	<hr/>	<hr/>	<hr/>
	27,973	0	27,973
Transfers-Out	(149,692)	0	(149,692)
Fund Cash Balance, January 1	<hr/>	<hr/>	<hr/>
	\$1,138,736	\$26,417	\$1,165,153
<b>Fund Cash Balance, December 31</b>	<hr/>	<hr/>	<hr/>
	<u>\$1,017,017</u>	<u>\$26,417</u>	<u>\$1,043,434</u>

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

**VILLAGE OF SABINA  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006**

**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, 2006  
(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**

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

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

**4. Capital Project Funds**

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

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

**5. Enterprise Funds**

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

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

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

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

Funds for which the Village is acting in an agency capacity are classified as agency funds. The only agency fund of the Village was the Unclaimed Monies Fund which had no activity.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

VILLAGE OF SABINA  
CLINTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2006 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.

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:

	2006
Demand deposits	\$7,468
Certificates of deposit	195,000
Total deposits	202,468
Money Market Sweep Account	1,423,337
Total investments	1,423,337
Total deposits and investments	\$1,625,805

**VILLAGE OF SABINA  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

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

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2006 follows:

2006 Budgeted vs. Actual Budgetary Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$586,641	\$659,102	\$72,461
Special Revenue	148,721	201,125	52,404
Debt Service	90,000	126,692	36,692
Capital Projects	0	52,647	52,647
Enterprise	630,000	682,197	52,197
Total	\$1,455,362	\$1,721,763	\$266,401

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$548,100	\$528,372	\$19,728
Special Revenue	251,638	183,464	68,174
Debt Service	84,226	126,691	(42,465)
Capital Projects	15,240	19,647	(4,407)
Enterprise	1,529,916	803,916	726,000
Total	\$2,429,120	\$1,662,090	\$767,030

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.

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Sewer Debt Service fund by \$42,465 and the Elm Street Project Fund by \$19,647.

Appropriations exceeded estimated resources in the following funds: Future Police Equipment, Other Capital Projects, Water, Pool, Sewer Reserve, and Water Service Deposit.

The Village did not obtain Auditor of State authority to establish the Sewer Reserve Fund (4901). The Village Council did not approve the establishment of this fund, nor did the Village obtain the permission of the Auditor of State.

**VILLAGE OF SABINA  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**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.

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.

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, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
1991 Ohio Water Development Authority Loan	\$542,480	8.07%
2001 Ohio Water Development Authority Loan	15,000	0.00%
2005 Dump Truck Lease Agreement	30,228	5.41%
2005 Police SUV Lease Agreement	14,282	6.05%
2006 Police Cruiser Lease Agreement	21,987	6.75%
Total	<u>\$623,977</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.

**VILLAGE OF SABINA  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**6. DEBT (Continued)**

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.

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

Amortization of the above debt, including interest, follows:

Year ending December 31:	1991 OWDA Loan	2001 OWDA Loan	2005 Dump Truck Lease	2005 Police SUV Lease	2006 Police Cruiser Lease
2007	\$84,913	\$2,500	\$9,396	\$9,984	\$9,298
2008	85,415	2,500	9,396	4,992	9,298
2009	85,958	2,500	9,396	0	4,649
2010	86,545	2,500	5,481	0	0
2011	87,179	2,500	0	0	0
2012-2016	310,782	2,500	0	0	0
Total	<u>\$740,792</u>	<u>\$15,000</u>	<u>\$33,669</u>	<u>\$14,976</u>	<u>\$23,246</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 2006, 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 9 percent of their wages. The Village contributed an amount equal to 13.7 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.



**VILLAGE OF SABINA  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**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.

**10. COMPLIANCE**

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

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# Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Sabina, Clinton County, Ohio (the Village), as of and for the year ended December 31, 2006, and have issued our report thereon dated August 7, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-007 through 2006-011 and 2006-013 through 2006-015.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2006-007 through 2006-009 and 2006-013 through 2006-015 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated August 7, 2007.

### **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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 through 2006-012.

We did note certain noncompliance or other matters 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. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

August 7, 2007

**VILLAGE OF SABINA  
CLINTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006**

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

**FINDING NUMBER 2006-001**

**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 appointed Police Chief by the Village Council on October 22, 2005. In 2006, his approved salary was \$43,032 a year or \$19.70 per hour. On his anniversary date, February 1st, his approved salary increased to \$43,680 a year or \$20.00 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 year 2006. 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)
3/8/06	\$600.00	\$660.00	(\$60.00)
6/14/06	\$600.00	\$660.00	(60.00)
7/11/06	\$600.00	\$660.00	(60.00)
10/18/06	\$600.00	\$660.00	(60.00)
11/14/06	<u>\$600.00</u>	<u>\$660.00</u>	<u>(60.00)</u>
	<u>\$3,000.00</u>	<u>\$3,300.00</u>	<u>(\$300.00)</u>

Calculations for full Holiday worked:

Per Policy (12 OT \* \$30.00) + (12 Holiday \* \$20.00) = \$600.00  
 Actual paid (12 Reg \* \$20.00) + (12 Holiday \* \$20.00) + (6 OT \* \$30.00) = \$660.00

In addition, we noted a calculation error in the payroll ledger for the pay date March 8, 2006. The payroll ledger shows a calculated gross pay in the amount of \$2,220.00. A recalculation of Mr. Strickland's gross pay on this day amounts to \$2,100.00. According to his time sheet, he was entitled to 84 hours of regular pay + 6 hours of overtime + 12 hours of holiday pay. (84\*\$20+6\*\$30+12\*\$20=\$2,100) He was paid 72 hours of regular pay + 18 hours of overtime + 12 hours of holiday pay. (72\*\$20+18\*\$30+12\*\$20=\$2,220) This resulted in an overpayment of \$120.00.

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, Jodi Rolston, Village Fiscal Officer and their bonding company, Ohio Farmers Insurance Company, jointly and severally, in the amount of \$240.00, and against Gerald Strickland, Village Police Chief, his bonding company, Ohio Farmers Insurance Company, and Jodi Rolston, Village Fiscal Officer, jointly and severally, in the amount of \$180.00 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.

**FINDING NUMBER 2006-002**

**Finding for Recovery – Richard Fouts Holiday Pay & Resignation Pay**

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. Richard Fouts was employed as a Police Patrolman by the Village of Sabina. In 2006, his approved salary was \$26,208 a year or \$12.00 per hour. We performed a comparison of the holiday pay paid to Mr. Fouts to the holiday pay authorized by the Village Policy Manual for fiscal year 2006. The following table indicates his approved holiday pay, actual payments to Mr. Fouts and any differences:

<b>Pay Date</b>	<b>Amount Authorized by Policy Manual</b>	<b>Amount Paid to Mr. Fouts</b>	<b>Difference (overpayment)</b>
1/7/06	\$252.00	\$270.00	(\$18.00)
1/21/06	\$360.00	\$396.00	(36.00)
4/18/06	\$360.00	\$396.00	(36.00)
7/11/06	<u>\$252.00</u>	<u>\$270.00</u>	<u>(18.00)</u>
	<u>\$1,224.00</u>	<u>\$1,332.00</u>	<u>(\$108.00)</u>

Calculations for full Holiday worked:

Per Policy (12 OT \* \$18.00) + (12 Holiday \* \$12.00) = \$360.00

Actual paid (12 Reg \* \$12.00) + (12 Holiday \* \$12.00) + (6 OT \* \$18.00) = \$396.00

Calculations for half Holiday worked:

Per Policy (6 OT \* \$18.00) + (12 Holiday \* \$12.00) = \$252.00

Actual paid (6 Reg \* \$12.00) + (12 Holiday \* \$12.00) + (3 OT \* \$18.00) = \$270.00

On August 10, 2006, the Village Council accepted Mr. Fouts' resignation. On August 10, 2006, Mr. Fouts' was paid out for his existing balances for the following: 6 hours of compensatory time and 12 hours of training owed from a previous pay period. Compensatory time balances agree to the spreadsheet balance as of that date. During our review of his timesheets, Mr. Fouts was paid for 12 hours of training with his last regular paycheck. No documentation for the 12 hours of training on the payout could be located. This 12 hours of training resulted in an overpayment of \$144.00. (\$12 \* 12 hours = \$144)

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. Richard Fouts, former Village Police Officer, Jodi Rolston, Fiscal Officer, and their bonding company, Ohio Farmers Insurance Company, jointly and severally, in the amount of \$198.00, and against Richard Fouts, former Village Police Officer, his bonding company, Ohio Farmers Insurance Company, and Jodi Rolston, Village Fiscal Officer, jointly and severally, in the amount of \$54.00, 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.

**FINDING NUMBER 2006-003**

**Finding for Recovery – Bryan Achtermann 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. Bryan Achtermann was employed as a Police Patrolman by the Village of Sabina. In 2006, his approved salary was \$26,208 a year or \$12.00 per hour. We performed a comparison of the holiday pay paid to Mr. Achtermann to the holiday pay authorized by the Village Policy Manual for fiscal year 2006. The following table indicates his approved holiday pay, actual payments to Mr. Achtermann and any differences:

<b>Pay Date</b>	<b>Amount Authorized by Policy Manual</b>	<b>Amount Paid to Mr. Achtermann</b>	<b>Difference (overpayment)</b>
3/8/06	\$360.00	\$396.00	(\$36.00)

Calculations for full Holiday worked:

Per Policy (12 OT \* \$18.00) + (12 Holiday \* \$12.00) = \$360.00

Actual paid (12 Reg \* \$12.00) + (12 Holiday \* \$12.00) + (6 OT \* \$18.00) = \$396.00

In addition, we noted a calculation error in the payroll ledger for the pay date March 8, 2006. The payroll ledger shows a calculated gross pay in the amount of \$1,467.00. A recalculation of Mr. Achtermann's gross pay on this day amounts to \$1,395.00. According to his time sheet, he was entitled to 84 hours of regular pay + 13.5 hours of overtime + 12 hours of holiday pay. (84\*\$12+13.5\*\$18+12\*\$12=\$1,395) He was paid 72 hours of regular pay + 25.5 hours of overtime + 12 hours of holiday pay. (72\*\$12+25.5\*\$18+12\*\$12= \$1,467) This resulted in an overpayment of \$72.00.

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. Bryan Achtermann, former Village Police Officer, his bonding company, Ohio Farmers Insurance Company, and Jodi Rolston, Fiscal Officer, jointly and severally, in the amount of \$108.00 (\$36.00 + \$72.00), 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.

**FINDING NUMBER 2006-004**

**Finding for Recovery – Marsha Fisher 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.

Ms. Marsha Fisher was employed as a Police Patrolman by the Village of Sabina. In 2006, her approved salary was \$26,208 a year or \$12.00 per hour. We performed a comparison of the holiday pay paid to Ms. Fisher to the holiday pay authorized by the Village Policy Manual for fiscal year 2006. The following table indicates her approved holiday pay, actual payments to Ms. Fisher and any differences:

**FINDING NUMBER 2006-004  
 (Continued)**

<b>Pay Date</b>	<b>Amount Authorized by Policy Manual</b>	<b>Amount Paid to Ms. Fisher</b>	<b>Difference (overpayment)</b>
4/18/06*	\$252.00	\$306.00	(\$54.00)
6/14/06	\$252.00	\$270.00	(18.00)
7/11/06	<u>\$252.00</u>	<u>\$270.00</u>	<u>(18.00)</u>
	<u>\$756.00</u>	<u>\$846.00</u>	<u>(\$90.00)</u>

Calculations for half Holiday worked:

Per Policy (6 OT \* \$18.00) + (12 Holiday \* \$12.00) = \$252.00

Actual paid (6 Reg \* \$12.00) + (12 Holiday \* \$12.00) + (3 OT \* \$18.00) = \$270.00

\* Employee worked a half day Holiday and was paid as follows: (9 OT \* \$18.00) + (12 Holiday \* \$12.00) = \$306.00

In addition, we noted a calculation error in the payroll ledger for the pay date May 2, 2006. The payroll ledger shows a calculated gross pay in the amount of \$1,170.00. A recalculation of Ms. Fisher's gross pay on this day amounts to \$1,116.00. According to her time sheet, she was entitled to 84 hours of regular pay + 6 hours of overtime pay. (84\*\$12+6\*\$18=\$1,116) She was paid 84 hours of regular pay + 9 hours of overtime pay. (84\*\$12+9\*\$18= \$1,170) This resulted in an overpayment of \$54.00.

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. Marsha Fisher, former Village Police Officer, Jodi Rolston, Fiscal Officer, and their bonding company, Ohio Farmers Insurance Company, jointly and severally, in the amount of \$144.00 (\$90.00 + \$54.00), and in favor of the Village of Sabina's General Fund.

**FINDING NUMBER 2006-005**

**Finding for Recovery – Anthony Mitchell Holiday Pay**

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. Anthony Mitchell was employed as a Police Patrolman by the Village of Sabina. In 2006, his approved salary was \$26,208 a year or \$12.00 per hour. We performed a comparison of the holiday pay paid to Mr. Mitchell to the holiday pay authorized by the Village Policy Manual for fiscal year 2006. The following table indicates his approved holiday pay, actual payments to Mr. Mitchell and any differences:

<b>Pay Date</b>	<b>Amount Authorized by Policy Manual</b>	<b>Amount Paid to Mr. Mitchell</b>	<b>Difference (overpayment)</b>
7/11/06	\$252.00	\$270.00	(\$18.00)
9/19/06	\$360.00	\$396.00	(36.00)
10/18/06	\$360.00	\$396.00	(36.00)
11/14/06*	\$252.00	\$306.00	(54.00)
11/29/06	<u>\$360.00</u>	<u>\$396.00</u>	<u>(36.00)</u>
	<u>\$1,584.00</u>	<u>\$1,764.00</u>	<u>(\$180.00)</u>

Calculations for full Holiday worked:

Per Policy (12 OT \* \$18.00) + (12 Holiday \* \$12.00) = \$360.00

Actual paid (12 Reg \* \$12.00) + (12 Holiday \* \$12.00) + (6 OT \* \$18.00) = \$396.00



**FINDING NUMBER 2006-005  
 (Continued)**

Calculations for half Holiday worked:

Per Policy (6 OT \* \$18.00) + (12 Holiday \* \$12.00) = \$252.00

Actual paid (6 Reg \* \$12.00) + (12 Holiday \* \$12.00) + (3 OT \* \$18.00) = \$270.00

\* Employee worked a half day Holiday and was paid as follows: (9 OT \* \$18.00) + (12 Holiday \* \$12.00) = \$306.00

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. Anthony Mitchell, Village Police Officer, Jodi Rolston, Fiscal Officer, and their bonding company, Ohio Farmers Insurance Company, jointly and severally, in the amount of \$180.00, and in favor of the Village of Sabina's General Fund.

**FINDING NUMBER 2006-006**

**Finding for Recovery – Tommy Little III Holiday Pay & Overtime Pay 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. Tommy Little was employed as a Police Patrolman and promoted to Police Sergeant on May 25, 2006 by the Village of Sabina. In 2006, his approved salary was \$26,208 a year or \$12.00 per hour. When promoted, his new approved salary was \$29,782 a year or \$13.64 per hour. We performed a comparison of the holiday pay paid to Mr. Little to the holiday pay authorized by the Village Policy Manual for fiscal year 2006. The following table indicates his approved holiday pay, actual payments to Mr. Little and any differences:

<b>Pay Date</b>	<b>Amount Authorized by Policy Manual</b>	<b>Amount Paid to Mr. Little</b>	<b>Difference (overpayment)</b>
1/7/06	\$657.90	\$723.69	(\$65.79)
1/21/06	\$360.00	\$396.00	(36.00)
4/18/06	\$360.00	\$396.00	(36.00)
9/19/06	\$365.70	\$402.27	(36.57)
11/14/06	\$255.99	\$310.85	(54.86)
11/29/06	<u>\$409.20</u>	<u>\$450.12</u>	<u>(40.92)</u>
	<u>\$2,408.79</u>	<u>\$2,678.93</u>	<u>(\$270.14)</u>

Calculations for full Holiday worked:

Per Policy (12 OT \* \$18.00) + (12 Holiday \* \$12.00) = \$360.00

Per Policy with first new rate (12 OT \* \$18.285) + (12 Holiday \* \$12.19) = \$365.70

Per Policy with second new rate (12 OT \* \$20.46) + (12 Holiday \* \$13.64) = \$409.20

Actual paid (12 Reg \* \$12.00) + (12 Holiday \* \$12.00) + (6 OT \* \$18.00) = \$396.00

Actual paid with first new rate (12 Reg \* \$12.19) + (12 Holiday \* \$12.19) + (6 OT \* \$18.285) = \$402.27

Actual paid with second new rate (12 Reg \* \$13.64) + (12 Holiday \* \$13.64) + (6 OT \* \$20.46) = \$450.12

Calculations for half Holiday worked:

Per Policy with first new rate (6 OT \* \$18.285) + (12 Holiday \* \$12.19) = \$255.99

Actual paid with first new rate (9 OT \* \$18.285) + (12 Holiday \* \$12.19) = \$310.85

**FINDING NUMBER 2006-006  
 (Continued)**

In addition, we noted calculation errors in the UAN system. When the fiscal officer input the overtime rate into the UAN system, she used the rate at time and a half. The fiscal officer was not aware that the UAN system calculates the overtime rate at time and half, therefore the Mr. Little's pay rate was calculated at time and a half times time and a half. The following table indicates his approved pay, actual payments to Mr. Little and any differences:

<b>Pay Date</b>	<b>Recalculated Gross Pay</b>	<b>Actual Gross Pay</b>	<b>Difference (overpayment)</b>
7/11/06	\$1,316.52	\$1,389.60	(\$73.08)
8/22/06	\$1,279.95	\$1,407.84	(127.89)
9/5/06	\$1,389.66	\$1,572.36	(182.70)
9/19/06	\$2,029.64	\$2,458.98	(429.34)
10/3/06	\$1,261.67	\$1,380.42	(118.75)
10/18/06	\$2,011.35	\$2,431.56	(420.21)
11/1/06	\$1,462.80	\$1,682.04	(219.24)
11/14/06	<u>\$2,047.92</u>	<u>\$2,486.40</u>	<u>(438.48)</u>
	<u>\$12,799.51</u>	<u>\$14,809.20</u>	<u>(\$2,009.69)</u>

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. Tommy Little, Village Police Officer, Jodi Rolston, Fiscal Officer, and their bonding company, Ohio Farmers Insurance Company, jointly and severally, in the amount of \$2,178.04, and against Tommy Little, Village Police Officer, his bonding company, Ohio Farmers Insurance Company, and Jodi Rolston, Village Fiscal Officer, jointly and severally, in the amount of \$101.79, 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.

**FINDING NUMBER 2006-007**

**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 Village also did not establish a fund to record the OPWC monies received for the Elm Street Project. The following table reflects the net effect of the adjustments on the financial statements.

**FINDING NUMBER 2006-007  
 (Continued)**

	Net Effect of Adjustments on Fund Balance at December 31, 2006
General Fund	(\$24,141)
Street Construction & Maintenance Fund	(\$663)
State Highway Fund	(\$10,732)
2092 Police Trust Fund	\$2,748
Police Disability & Pension Fund	\$5,069
2902 Water Service Deposit Fund	(\$16,459)
2903 Police Trust	(\$2,284)
Water Fund	\$11,126
Sewer Fund	(\$2,262)
Pool Fund	(\$341)
5781 Water Service Deposit Fund	\$19,305

Audit adjustments have been posted to the Village's financial records and are reflected in the accompanying financial statements to properly reflect receipts and disbursements of the Village. As a result, the records maintained by the Clerk were not an accurate reflection of all moneys received and expended by the Village. 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 Clerk 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 2006-008**

**Noncompliance Citation/Material Weakness**

**Ohio Rev. Code, Section 733.28**, states that the village clerk should keep the books of the village, exhibit accurate statements of all moneys received and expended, all property owned by the Village and income derived thereof, and all taxes and assessments. Although the Village Clerk maintained accounting records, the records contained numerous posting errors resulting audit adjustments and reclassifications to the 2006 financial statements. In addition, reconciliations were not always performed correctly or in a timely manner during the audit period. As a result, the records maintained by the Clerk were not an accurate reflection of all moneys received and expended.

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

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

## FINDING NUMBER 2006-009

### 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.

The availability of funds was not certified prior to the time of commitment in 38% of expenditures tested nor did the Village use the aforementioned exceptions. The fiscal officer did not certify, by evidence of her signature, 46% of expenditures tested. 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.

**FINDING NUMBER 2006-009  
 (Continued)**

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 2006-010**

**Noncompliance Citation/Significant Deficiency**

**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:

	Appropriations	Expenditures	Variance
Sewer Debt Service Fund	\$84,226	\$126,691	(\$42,465)
Elm Street Project Fund	0	19,647	(19,647)

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 2006-011**

**Noncompliance Citation/Significant Deficiency**

**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 2006, the following funds had appropriations exceeding estimated resources.

**FINDING NUMBER 2006-011  
 (Continued)**

	<b>Appropriations</b>	<b>Estimated Resources</b>	<b>Variance</b>
Future Police Equipment Fund	\$2,000	\$122	(\$1,878)
Other Capital Projects Fund	15,240	5,240	(10,000)
Water Fund	648,656	615,310	(33,346)
Pool Fund	39,030	23,858	(15,172)
Sewer Reserve Fund	198,647	175,647	(23,000)
Water Service Deposit	22,890	19,253	(3,637)

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 2006-012**

**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 2006, the Village established the Sewer Reserve Fund (4901). The Village Council did not approve the establishment of this fund, 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 2006-013**

**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 2006-013**  
**(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 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 such as budget and actual and bank reconciliations were not presented to Council (Nothing was presented to Council in 2006);
- Village books were not always reconciled to the bank accurately and in a timely manner;
  - 7/12 months (58%) were not timely
  - Reconciliations contained unsupported reconciling items (adjusting items)
  - After proof of cash procedures at December 31, 2006, an unknown variance of \$3,794 existed between the bank and the Village books.
- Expenditures were posted to improper funds (adjustments summarized in Finding 2006-007);
- Receipts were not posted to the UAN system until well after the receipt date and/or deposit. For January 2006, all transactions were entered into the system at the end of the month;
- Receipts and expenditures were never posted to the accounting system (adjustments resulting from this are summarized in Finding 2006-007);
- All January checks were manual checks;
- Late payment fees were paid on bills (OPERS and OP&F in 2006);
- The Fiscal Officer was not individually bonded from 1/1/06 through 3/31/06. (3/12 months = 25%).

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.

**FINDING NUMBER 2006-013  
(Continued)**

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

- Monthly budget and actual financial reports be prepared and submitted to Council. This submission should occur prior to the regular Council meetings so that Council members have an opportunity to review the information and ask informed questions at the Council meetings. Discussion and approval of the monthly financial reports should be documented in the minutes;
- When invoices are received, a comparison should be made between the goods/services included on the invoice and the goods/services received. The official/department head which received the goods should perform this comparison and indicate his/her review by initializing the invoice. The initials indicate the goods/services were received and the invoice is approved for payment. Invoices should be attached to all voucher packets;
- Once invoices have been approved for payment, the Fiscal Officer should issue the corresponding check and stamp the invoice "Paid." The invoice should be filed with the voucher packet;
- 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;
- 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 2006-014

### 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.

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:

- Membership application forms could not be located.
- Cash register tapes did not always agree with the Daily Admission Closeout Sheets, nor were they always complete.
- Daily Closeout Sheets did not always agree to the admissions receipts reported on the daily sign-in admission sheets.
- 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;

**FINDING NUMBER 2006-014  
(Continued)**

- 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 2006-015**

**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.

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 internal controls and poor recordkeeping increases the risk that theft, fraud or errors could occur and not be detected in a timely manner.

**FINDING NUMBER 2006-015**  
**(Continued)**

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.

- Federal withholdings were not remitted in proper amounts. In 2006, it was under-remitted by \$211.72
- Leave usage per the timesheets did not agree to what was recorded on the leave spreadsheet.
  - Sick leave: 4/10 (40%) employees
  - Vacation leave: 1/10 (10%) employees
  - Personal leave: 1/10 (10%) employees
- 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.
  - PERS: \$93.68
  - OP&F: \$544.92

**FINDING NUMBER 2006-015  
(Continued)**

- Village paid various penalties and fees to OPERS and OP&F for late reporting and remittance of withholdings.
  - PERS: \$1,266.43 paid in penalties and late fees
  - OP&F: \$100 in late reporting fees
- Social Security was not withheld at the correct rate of 6.2% in 2006. For all Council members, only withheld approximately 5.8%

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 2006-001 through 2006-006. 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, 2005**

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>
2005-001	Finding for Recovery – Karma Henson	No	
2005-002	Finding for Recovery – Tim Tyree Holiday Pay & Payroll Ledger Errors	No	
2005-003	Finding for Recovery – Gerald Strickland Holiday Pay & Payroll Ledger Errors	No	
2005-004	Finding for Recovery – Samuel Smith Holiday Pay & Payroll Ledger Errors	No	
2005-005	Finding for Recovery – Shane Nolley Holiday Pay & Payroll Ledger Errors	No	
2005-006	Finding for Recovery – Leonard Sines Holiday Pay & Payroll Ledger Errors	No	
2005-007	Finding for Recovery – Dale Huffman Overpayment	No	
2005-008	Ohio Rev. Code, Section 5705.09 (F), failure to establish required funds & Ohio Rev. Code, Section 5705.10, failure to use moneys in fund for purposes established	No	Repeat as Finding 2006-007
2005-009	Ohio Rev. Code, Section 733.28 failure to accurately prepare and maintain the financial records	No	Repeat as Finding 2006-008

Village of Sabina  
Clinton County  
Schedule of Prior Audit Findings  
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2005-010	Ohio Rev. Code, Section 5705.41 (D), failure to encumber funds	No	Repeat as Finding 2006-009
2005-011	Ohio Rev. Code, Section 5705.41 (B) expenditures exceeding appropriations	No	Repeat as Finding 2006-010
2005-012	Ohio Rev. Code, Section 5705.39, appropriations exceeding estimated revenues	No	Repeat as Finding 2006-011
2005-013	Ohio Rev. Code, Section 5705.12, failure to obtain approval to establish funds	No	Repeat as Finding 2006-012
2005-014	Material Weakness – failure to create adequate control environment	No	Repeat as Finding 2006-013
2005-015	Reportable Condition – failure to maintain adequate minutes documentation	Yes	
2005-016	Ohio Rev. Code, Section 9.38, failure to deposit timely	Yes	
2005-017	Reportable Condition – failure to maintain adequate controls over the swimming pool and concessions operations	No	Repeat as Finding 2006-014
2005-018	Material Weakness – failure to maintain adequate controls over the Mayor’s Court	N/A	Mayor’s Court dissolved.
2005-019	Material Weakness – failure to maintain adequate controls over payroll disbursements	No	Repeat as Finding 2006-015



**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