



Dave Yost • Auditor of State

VILLAGE OF SABINA
CLINTON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Village of Sabina, Clinton County, (the Village) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Government as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

Basis for Adverse Opinion on Regulatory Basis of Accounting.

Ohio Rev. Code Section 5705.10 requires that monies paid into a fund should only be used for the purpose for which such a fund is established. The Village did not maintain appropriate supporting documentation for insurance payments from other Village funds. In addition, the Village had Findings for Adjustments from prior audits that have not been adjusted. The Village has not posted adjustments to their accompanying financial statements or accounting records.

Adverse Opinion on Regulatory Basis of Accounting.

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion* paragraph, the financial statements referred to above do not present fairly, the combined cash balances of the Village of Sabina, Clinton County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2016, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D" and a long, sweeping tail on the "y".

Dave Yost
Auditor of State

Columbus, Ohio

June 8, 2016

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**VILLAGE OF SABINA
CLINTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$57,479	\$17,993	\$75,472
Municipal Income Tax	283,864		283,864
Intergovernmental	67,408	116,399	183,807
Special Assessments	662		662
Charges for Services	3,830		3,830
Fines, Licenses and Permits	17,526	4,515	22,041
Earnings on Investments	848	52	900
Miscellaneous	19,145	3,511	22,656
<i>Total Cash Receipts</i>	<u>450,762</u>	<u>142,470</u>	<u>593,232</u>
Cash Disbursements			
Current:			
Security of Persons and Property	321,962	33,792	355,754
Public Health Services	1,377		1,377
Leisure Time Activities	2,022		2,022
Transportation	23,041	67,771	90,812
General Government	232,734	379	233,113
Capital Outlay		49	49
<i>Total Cash Disbursements</i>	<u>581,136</u>	<u>101,991</u>	<u>683,127</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(130,374)</u>	<u>40,479</u>	<u>(89,895)</u>
Other Financing Receipts (Disbursements)			
Transfers In	3	0	3
<i>Total Other Financing Receipts (Disbursements)</i>	<u>3</u>	<u>0</u>	<u>3</u>
<i>Net Change in Fund Cash Balances</i>	(130,371)	40,479	(89,892)
<i>Fund Cash Balances, January 1</i>	<u>316,298</u>	<u>232,225</u>	<u>548,523</u>
Fund Cash Balances, December 31			
Nonspendable	3,191	0	3,191
Restricted	0	272,704	272,704
Assigned	27,486	0	27,486
Unassigned (Deficit)	155,250	0	155,250
<i>Fund Cash Balances, December 31</i>	<u>\$185,927</u>	<u>\$272,704</u>	<u>\$458,631</u>

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

**VILLAGE OF SABINA
CLINTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts	
Charges for Services	\$937,521
Miscellaneous	6,800
	944,321
<i>Total Operating Cash Receipts</i>	<i>944,321</i>
Operating Cash Disbursements	
Personal Services	162,042
Employee Fringe Benefits	86,562
Contractual Services	147,453
Supplies and Materials	66,610
Other	35,906
	498,573
<i>Total Operating Cash Disbursements</i>	<i>498,573</i>
<i>Operating Income (Loss)</i>	<i>445,748</i>
Non-Operating Receipts (Disbursements)	
Intergovernmental	87,272
Special Assessments	6,849
Sale of Notes	232,167
Sale of Capital Assets	1,025
Miscellaneous Receipts	7,554
Capital Outlay	(346,515)
Principal Retirement	(248,234)
Interest and Other Fiscal Charges	(136,812)
	(396,694)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(396,694)</i>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<i>49,054</i>
Transfers Out	(3)
	49,051
<i>Net Change in Fund Cash Balances</i>	<i>49,051</i>
<i>Fund Cash Balances, January 1</i>	<i>1,202,829</i>
<i>Fund Cash Balances, December 31</i>	<i>\$1,251,880</i>

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

**VILLAGE OF SABINA
CLINTON COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$54,241	\$16,960	\$71,201
Municipal Income Tax	284,371		284,371
Intergovernmental	81,856	116,852	198,708
Special Assessments	554		554
Charges for Services	1,577		1,577
Fines, Licenses and Permits	24,470	3,109	27,579
Earnings on Investments	1,553	119	1,672
Miscellaneous	21,946	3,326	25,272
<i>Total Cash Receipts</i>	<u>470,568</u>	<u>140,366</u>	<u>610,934</u>
Cash Disbursements			
Current:			
Security of Persons and Property	311,641	36,951	348,592
Public Health Services	593		593
Leisure Time Activities	3,515		3,515
Transportation	56,678	93,391	150,069
General Government	219,292	457	219,749
Capital Outlay	35,411	392	35,803
<i>Total Cash Disbursements</i>	<u>627,130</u>	<u>131,191</u>	<u>758,321</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(156,562)</u>	<u>9,175</u>	<u>(147,387)</u>
Other Financing Receipts (Disbursements)			
Other Financing Uses	(6,385)	0	(6,385)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(6,385)</u>	<u>0</u>	<u>(6,385)</u>
<i>Net Change in Fund Cash Balances</i>	(162,947)	9,175	(153,772)
<i>Fund Cash Balances, January 1</i>	<u>479,245</u>	<u>223,050</u>	<u>702,295</u>
Fund Cash Balances, December 31			
Nonspendable	3,188	0	3,188
Restricted	0	232,225	232,225
Assigned	39,043	0	39,043
Unassigned (Deficit)	274,067	0	274,067
<i>Fund Cash Balances, December 31</i>	<u>\$316,298</u>	<u>\$232,225</u>	<u>\$548,523</u>

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

**VILLAGE OF SABINA
CLINTON COUNTY**

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

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$884,176
Miscellaneous	520
	884,696
<i>Total Operating Cash Receipts</i>	<i>884,696</i>
Operating Cash Disbursements	
Personal Services	151,208
Employee Fringe Benefits	69,367
Contractual Services	158,049
Supplies and Materials	57,596
Other	9,347
	445,567
<i>Total Operating Cash Disbursements</i>	<i>445,567</i>
<i>Operating Income (Loss)</i>	<i>439,129</i>
Non-Operating Receipts (Disbursements)	
Intergovernmental	768,844
Special Assessments	6,380
Sale of Notes	935,560
Miscellaneous Receipts	11,637
Capital Outlay	(2,136,154)
Principal Retirement	(57,287)
Interest and Other Fiscal Charges	(315,989)
	(787,009)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(787,009)</i>
<i>Net Change in Fund Cash Balances</i>	<i>(347,880)</i>
<i>Fund Cash Balances, January 1</i>	<i>1,550,709</i>
<i>Fund Cash Balances, December 31</i>	<i>\$1,202,829</i>

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, 2014 AND 2013**

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, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services.

The Village participates in one jointly governed organization. This organization is:

Jointly Governed Organizations:

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

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits

The Village funds are pooled in a checking account with a local commercial bank. Interest is recognized and recorded when received.

D. Fund Accounting

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

1. General Fund

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

**VILLAGE OF SABINA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Special Revenue Funds

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

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

Police Disability Pension Fund – This fund receives property tax money for police department retirement.

3. Enterprise Funds

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

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

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

E. Budgetary Process

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

1. Appropriations

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

3. Encumbrances

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

**VILLAGE OF SABINA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

**VILLAGE OF SABINA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

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

	2014	2013
Demand deposits	\$892,392	\$793,404
Other time deposits (savings accounts)	818,119	957,948
Total deposits	1,710,511	1,751,352

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$450,477	\$450,765	\$288
Special Revenue	140,060	142,470	2,410
Enterprise	1,351,851	1,279,188	(72,663)
Total	\$1,942,388	\$1,872,423	(\$69,965)

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$673,457	\$581,136	\$92,321
Special Revenue	350,670	101,991	248,679
Enterprise	2,091,173	1,230,137	861,036
Total	\$3,115,300	\$1,913,264	\$1,202,036

**VILLAGE OF SABINA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. Budgetary Activity (Continued)

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$434,822	\$470,568	\$35,746
Special Revenue	147,754	140,366	(7,388)
Enterprise	2,139,028	2,607,117	468,089
Total	\$2,721,604	\$3,218,051	\$496,447

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$853,135	\$633,515	\$219,620
Special Revenue	331,345	131,191	200,154
Enterprise	3,793,663	2,954,997	838,666
Total	\$4,978,143	\$3,719,703	\$1,258,440

Contrary to Ohio law, appropriation authority exceeded total estimated resources for the year ended December 31, 2013 for the following Enterprise funds:

Fund	Appropriation Authority	Estimated Resources	Variance
Sewer Phase III Construction Loan (5701)	\$700,000	\$0	\$700,000
Sewer Phase II OPWC Grant/Loan (5702)	256,051	0	256,051
Sewer OWDA Phase III Design (5704)	213,487	16,043	197,444
Total	\$1,169,538	\$16,043	\$1,153,495

4. Property Tax

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

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

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

**VILLAGE OF SABINA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

5. Local Income Tax

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

6. Debt

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
OWDA - 1871	\$83,913	8.07%
OWDA - 6240	\$2,357,056	1.00%
OWDA - 6491	\$320,790	2.99%
OPWC - C746M	\$352,258	0.00%
OPWC - CJ02N	\$177,803	0.00%
Total	\$3,291,820	

The Ohio Water Development Authority (OWDA -1871) loan was approved in 1991 and relates to a sewer plant expansion project. The OWDA disbursed \$962,621 to the Village for this project at 8.07% interest. The Village is to repay the loan in semiannual installments of \$45,359, including interest, over 25 years. The loan is secured by utility fund customer charges for services.

The Ohio Water Development Authority (OWDA – 6240) loan was approved in 2012 and relates to the improvements for its wastewater treatment plant. In 2012 the project expenditure should have been \$1,601,337 during 2013 an additional \$874,879 was added to the OWDA – 6240. The Village is to repay the loan in semiannual installments; the amortization schedule was not yet available from OWDA including interest, over 20 years.

The Ohio Water Development Authority (OWDA – 6491) loan was approved in 2013 and relates to the water line improvement project for North Howard Street. The total amount disbursed for the project was \$327,818 being fully disbursed in 2014. The Village is to repay the loan in semiannual installments including interest for 30 years; the amortization schedule was no yet available from the OWDA.

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

The Village entered into a loan (CJ02N) with OPWC in 2010 for Phase II of the wastewater system improvements – Park and Rose Avenue. The loan is in the amount of \$187,161 at 0% interest. The loan was fully disbursed at December 31, 2013, however the construction is not complete and repayment has not yet been initialized by the OPWC. The Village is to repay the loan in semiannual installments of \$4,679.03 over 20 years.

**VILLAGE OF SABINA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

6. Debt (Continued)

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

Year ending December 31:	OWDA 1871	OWDA 6240	OWDA 6491	OPWC C746M	OPWC CJ02N
2015	\$83,913	No Yet	No Yet	\$21,349	\$9,358
2016		Available *	Available **	21,349	9,358
2017				21,349	9,358
2018				21,349	9,358
2019				21,349	9,358
2020-2024				85,396	37,432
2025-2050				160,117	93,580
Total	<u>\$83,913</u>	<u>\$0</u>	<u>\$0</u>	<u>\$352,258</u>	<u>\$177,802</u>

* OWDA Loan # 6240 and OWDA # 6491 has been fully drawn as December 31, 2014. But a final amortization schedule is not yet available.

8. Retirement Systems

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 10.00%, 10.75%, and 11.50% of their wages for the periods with dates ending June 30, 2013, June 30, 2014, and December 31, 2014, respectively. For 2014 and 2013, the Village contributed to OP&F an amount equal to 19.50% of full-time police members' wages. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

9. Risk Management

The Government is exposed to various risks of property and casualty losses, and injuries to employees.

The Government insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Government belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**VILLAGE OF SABINA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

9. Risk Management (Continued)

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2014, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2013 and 2014.

	<u>2013</u>	<u>2014</u>
Assets	\$34,411,883	\$35,402,177
Liabilities	<u>(12,760,194)</u>	<u>(12,363,257)</u>
Net Position	<u>\$21,651,689</u>	<u>\$23,038,920</u>

At December 31, 2013 and 2014, respectively, the liabilities above include approximately 11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$10.8 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Government's share of these unpaid claims collectible in future years is approximately \$15,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2013</u>	<u>2014</u>
\$23,075	\$23,305

**VILLAGE OF SABINA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

9. Risk Management (Continued)

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

10. Fund Reclassification and Restatement

Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprised a hierarchy based primarily on the extent to which a government is bound to observe constrains imposed on the use of the resources reported in governmental funds. The Village has reclassified the fund balances below to comply with GASB Statement No. 54, which resulted in the following change to fund balances at December 31, 2012, as previously reported:

	General Fund	Agency Fund
Fund Balance Previously Reported at 12/31/12	\$476,057	\$3,188
Reclassification of Funds	3,188	(3,188)
Fund Balance Restated 1/1/13	\$479,245	-0-

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Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Sabina, Clinton County, (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated June 8, 2016, wherein we issued an adverse opinion for finding for adjustments that have not been recorded in the accounting records and the financial statements were not adjusted. We also noted the Village followed financial reporting provision Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2014-002 and 2014-003 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-004 described in the accompanying schedule of findings to be a significant deficiency.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of finding as items 2014-001, 2014-002 and 2014-005.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

June 8, 2016

**VILLAGE OF SABINA
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-001

NONCOMPLIANCE

Ohio Rev. Code, §5705.39, states, in part, the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from, as certified by the budget commission.

Appropriation authorized exceeded total estimated resources for the year ended December 31, 2013 for the following Enterprise funds.

Fund	Appropriation Authority	Estimated Resources	Variance
Sewer Phase III Construction Loan Fund (5701)	\$700,000	\$ 0	\$700,000
Sewer Phase II OPWC Grant/Loan Fund (5702)	256,051	0	256,051
Sewer OWDA Phase III Design Fund (5704)	213,487	16,043	197,444

Appropriations in excess of total estimated resources could cause expenditures to exceed the monies available leading to a negative fund balance.

Ohio Admin. Code §117-2-01 (C) requires local public offices to integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

Appropriations recorded in the Village's accounting system did not agree to official appropriations plus prior year encumbrances in 2014 as follows:

Fund Type	Official Appropriations plus prior year outstanding Encumbrances	System Appropriations plus prior year outstanding Encumbrances Recorded in Accounting System	Variance
General	\$709,311	\$771,610	(\$62,299)
Special Revenue	364,651	368,674	(4,023)
Enterprise	2,606,017	2,736,700	(130,683)

Appropriations recorded in the Village's accounting system did not agree to official appropriations plus prior year encumbrances in 2013 as follows:

Fund Type	Official Appropriations plus prior year outstanding Encumbrances	System Appropriations plus prior year outstanding Encumbrances Recorded in Accounting System	Variance
General	\$854,123	\$906,725	(\$52,602)
Special Revenue	331,624	332,142	(518)
Enterprise	3,796,348	4,379,457	(583,109)

**FINDING NUMBER 2014-001
 (Continued)**

Failure to integrate budgetary activity certified by the budget commission into the accounting system resulted in officials relying on inaccurate information for budget decisions. The Village Officials should review system reports to ensure that estimated receipts from the most current amended certificate and amended appropriations are entered into the accounting system. The Village Council should monitor the budgetary position of the Village to determine when appropriation amendments are needed and review appropriation and estimated resource amounts to make sure that appropriations do not exceed estimated resources.

FINDING NUMBER 2014-002

NONCOMPLIANCE/MATERIAL WEAKNESS

Ohio Rev. Code, §5705.10, provides that money paid into a fund shall be used only for the purpose for which such a fund is established.

Payroll Allocation

Employee time should be carefully documented and verified as eligible for payment from the fund from which it is paid. If circumstances are such that it is impossible to prorate employee time, then their compensation should be paid from the General Fund. Failure to adequately document time could result in a restricted fund paying for work that is not for the purpose for which the fund was established.

During 2011 and 2012, the Village did not maintain adequate documentation to prorate the amount of time spent performing duties for the Street, Water, Sewer, Police Disability and Pension, and Swimming Pool funds of the Village. The Auditor of State issued a finding for adjustment (FFA) totaling \$481,709. The Village did not post the amounts required by the FFA.

During the 2013 and 2014 audit, the Village provided the Auditor of State with supporting documentation for \$400,354 of the 2011 and 2012 amounts charged to funds other than the General fund. This left remaining unsupported charges to funds other than the General fund of: Police Disability & Pension, \$2,179; Pool, \$5,685; Street Construction Maintenance Repair, \$6,957; Water Operating, \$43,861; and Sewer Operating \$22,673 as illustrated in the table below.

Payroll Allocation						
	General Fund	Police Disability & Pension Fund	Pool Fund	Street Fund	Water Fund	Sewer Fund
Prior Finding for Adjustment	(\$481,709)	\$ 2,179	\$ 5,685	\$ 92,525	\$ 184,029	\$ 197,291
Village supporting documentation provided	400,354	0	0	(85,658)	(140,168)	(174,618)
Revised Finding for Adjustment	(\$81,355)	\$ 2,179	\$ 5,685	\$ 6,957	\$ 43,861	\$ 22,673

In accordance with the forgoing facts, we hereby issue a finding for adjustment to against the General Fund in the amount of \$81,355, and in favor of the Police Disability & Pension Fund in the amount of \$2,179; Pool Fund in the amount of \$5,685; Street Fund in the amount of \$6,957; the Water fund in the amount of \$43,861; and the Sewer Fund in the amount of \$22,673. The Village did not make adjustments to their accounting system or financial statements and we have modified our audit opinion.

**FINDING NUMBER 2014-002
 (Continued)**

Insurance Allocation

In 2013 and 2014, the Village did not charge the employer's share of insurance premium based on actual payroll charged to each fund; rather, the employer's share of the insurance premium was allocated manually and the same funds were charged throughout the year without regard to what funds were being charged each payroll. Adjustments to reflect the correct allocation follow:

Insurance Allocation				
	General Fund	Street Fund	Water Fund	Sewer Fund
2013 Insurance Prorated	(\$ 45,955)	\$ 2,504	\$ 27,515	\$ 15,936
2014 Insurance Prorated	(49,240)	6,072	17,797	25,371
Total Insurance Finding for Adjustment	(\$ 95,195)	\$ 8,576	\$ 45,312	\$ 41,307

In accordance with the forgoing facts, we hereby issue a finding for adjustment against the General Fund for the total amount of \$95,195; and in favor of the Street Fund in the amount of \$8,576; the Water fund in the amount of \$45,312; and the Sewer Fund in the amount of \$41,307. The Village did not make adjustments to their accounting system or financial statements and we have modified our audit opinion.

Other Errors

In 2013, the Village recorded \$3,129 of the Village Administrator's salary to restricted funds with no supporting documentation. This led to an overstatement in disbursements of \$1,043 in the Street fund (2011), \$ 1,043 in the Water fund (5101), and \$1,043 in the Sewer fund (5201). The Village posted an audit adjustment to the financial statements to correct this error.

In 2014, the Waste Water Treatment Plant Superintendent was erroneously paid from the Water Fund (5101) without supporting documentation. This error resulted in an overstatement of Water Fund disbursements and understatement of Sewer Fund disbursements totaling \$2,102. The Village posted an audit adjustment to the financial statements to correct this error.

The Village paid a utility employee from restricted funds in 2013, but there was no detailed time sheet or log book to support \$2,354 in payments from restricted funds. This error resulted in an overstatement of Water and Sewer Fund disbursements in the amounts of \$2,194 and \$160, respectively. The Village posted an audit adjustment to the financial statements to correct this error.

We recommend that the Village charge the fund proportionately to the appropriate funds based on the documentation supporting the expenditures. If the Village cannot determine a properly supported allocation, the expenditure should be paid from the General Fund to ensure that the money paid into a fund is used only for the purpose for which it was created. This will help the Village to ensure that restricted funds are only expended for activities that are allowable and will decrease the possibility of misappropriation of funds.

FINDING NUMBER 2014-003

MATERIAL WEAKNESS

Governments are required to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

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

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

2014					
Transaction as Posted (incorrect)			Correct Transaction Posting		
Fund	Account	Amount	Fund	Account	Amount
Police Pension	Taxes	\$799	Police Pension	Intergovernmental	\$799
Enterprise	Intergovernmental	33,996	Enterprise	Debt Proceeds	33,996
Enterprise	Debt Interest	33,996	Enterprise	Capital Outlay	33,996

2013					
Transaction as Posted (incorrect)			Correct Transaction Posting		
Fund	Account	Amount	Fund	Account	Amount
General	Taxes	\$4,282	General	Intergovernmental	\$4,282
Police Pension	Taxes	2,070	Police Pension	Intergovernmental	2,070
General	Intergovernmental	2,568	Street	Intergovernmental	2,375
			Highway	Intergovernmental	193
General	Intergovernmental	1,760	General	Miscellaneous	1,760
Fund 5704	Contractual Services	42,458	Fund 5704	Capital Outlay	42,458
General	Police Enforcement	25,411	General	Capital Outlay	35,411
General	Transportation	10,000			
Fund 5706	Interest Expense	30,870	Fund 5706	Capital Outlay	30,870
Not Posted			Fund 5704	Debt Proceeds	885,953
Not Posted			Fund 5704	Capital Outlay	885,953
General	Transportation	1,506	General	Leisure Time Activities	1,506

**FINDING NUMBER 2014-003
(Continued)**

We also noted the following errors during our test of expenditures.

- In 2013, the Village sent a check to the wrong vendor. The vendor voided the check and returned it to the Village. Rather than void the check in the accounting system, the Village recorded it as a receipt in the Sewer Operating (5201) Special Assessment fund. This caused an overstatement in Special Assessment receipts and overstatement in Capital Outlay disbursements of \$92,720.
- In 2013, the Village erroneously made a duplicate payment to a vendor. The vendor voided the check and returned it to the Village. Rather than void the check in the accounting system, the Village recorded it as a receipt in the Sewer Operating (5201) Special Assessment fund. This caused an overstatement in Special Assessment receipts and overstatement in Capital Outlay disbursements of \$4,508.
- In 2014, the Village recorded a payment in the amount of \$198,171 to Distel Construction, but the disbursement was made directly from OWDA to Distel in early 2013. This resulted in an overstatement of Capital Outlay disbursements and overstatement of Sale of Notes in 2014, and an understatement of Capital Outlay disbursements and understatement of Sale of Notes in 2013.
- In 2014, the Village received a water and sewer payment that did not clear the bank for not sufficient funds (NSF). The Village then recorded the NSF check as a disbursement in the amount of \$23,966 to balance to the bank. However, the Village should have posted the NSF check as a reduction of a receipt. This caused an overstatement of receipts and overstatement of disbursements in the amount of \$23,966.
- In 2013, the Village posted a Capital Outlay disbursement and Intergovernmental receipt in the amount of \$419,509; however, the transaction related to 2012. The amount was posted as an audit adjustment in the prior audit, so the amount was correctly included in the 2012 financial statements. This caused an overstatement of 2013 receipts and disbursements.

These errors were caused by lack of monitoring in the posting of transactions. Audit adjustments were posted to the financial statements and accounting system, where appropriate, to correct these errors.

Failure to accurately post transactions could result in material errors in the Village's financial statements and reduces the ability of Council to monitor financial activity and to make sound decisions, and increases the risk that errors, theft or fraud could occur and not be detected. .

We recommend that officials review the chart of accounts to assure that items are being posted to the proper account codes and funds.

FINDING NUMBER 2014-004

SIGNIFICANT DEFICIENCY

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

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

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

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

Assigned Fund Balance- Assigned fund balance includes amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.

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

Auditor of State Bulletin 2011-004 clarifies the impact of GASB 54 on Ohio governmental units and provides the following guidance on implementation:

- *For unclaimed monies*, the entire cash balance should be reported in the General fund and the fund balance should be classified as nonspendable.
- Encumbrances outstanding at year end should be classified as an assigned fund balance in the General fund.

The Village had unclaimed money of \$3,188 at December 31, 2014 and did not report this amount as a nonspendable fund the balance in the General fund. Also, the Village had General fund encumbrances outstanding at December 31, 2014 and 2013 of \$27,486 and \$39,043 respectively, and these amounts were classified as unassigned General fund balance rather than assigned fund balance.

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

FINDING NUMBER 2014-005

FINDING FOR RECOVERY

During the period October 29, 2014 to August 13, 2015, Police Officer Olin Mills was responsible for maintaining the Village Police Department's drug buy monies. On August 13, 2015, Village Police Chief Kenyon Young requested Officer Mills return the money under his control. According to the 'Confidential Informant Information Money Log' maintained by Officer Mills, the Police Department had a \$1,040 balance for their drug buy fund, however, the monies were not located in the safe with the Money Log and the case files. Officer Mills was the only person who had access to the safe and the drug buy fund monies.

In accordance with the forgoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money collected but unaccounted for is hereby issued against Olin Mills in the amount of \$1,040, in favor of the Village's Law Enforcement Trust Fund.

Officials' Response:

We did not receive a response from Village Officials to the findings reported above.

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**VILLAGE OF SABINA
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	OAC Section 117-2-02 Maintain accounting system to accurately prepare financials	No	Not Corrected – Repeat as Finding Number 2014-003
2012-002	ORC 5705.09(G) Account for utility activity in separate funds.	No	Not the same issue as prior audit, but still an issue pertaining to ORC 5705.09, establishing funds - Management Letter Noncompliance
2012-003	ORC 5705.10 Money paid into a fund shall only be used for the purpose for which the fund was established.	No	Partially Corrected – Village was able to obtain some support to lower the Finding For Adjustment amount.
2012-004	OAC 117 Fund balances were not reconciled to the bank.	Yes	Reconciliations performed
2012-005	GASB Statement Number 54 – Fund Balance Classification	No	Not Corrected – Repeat as Finding Number 2014-004

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VILLAGE OF SABINA

CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 7, 2016