

**VILLAGE OF SABINA
CLINTON COUNTY, OHIO
BASIC FINANCIAL STATEMENTS
(AUDITED)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**



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Village Council
Village of Sabina
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Sabina, Ohio 45169

We have reviewed the *Independent Auditor's Report* of the Village of Sabina, Clinton County, prepared by Lindholm + Company, for the audit period January 1, 2017 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

September 23, 2019

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CLINTON COUNTY
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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 of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Sabina, Clinton County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 2 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 Village as of December 31, 2018 and 2017, and the respective 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 had Findings for Adjustments from prior audits that have not been fully adjusted.

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, 2018 and 2017, and its combined cash receipts and disbursements for the years then ended in accordance with financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2019, 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.

LINDHOLM + COMPANY

Worthington, Ohio
June 25, 2019

**VILLAGE OF SABINA
CLINTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 58,243	\$ 18,869	\$ -	\$ 77,112
Municipal Income Taxes	547,638	-	-	547,638
Intergovernmental	59,841	135,517	285,448	480,806
Special Assessments	474	-	-	474
Charges for Services	2,342	-	-	2,342
Fines, Licenses, and Permits	15,011	666	-	15,677
Earnings on Investments	6,799	416	-	7,215
Miscellaneous	14,255	13,844	-	28,099
<i>Total Cash Receipts</i>	<u>704,603</u>	<u>169,312</u>	<u>285,448</u>	<u>1,159,363</u>
Cash Disbursements				
Current:				
Security of Persons and Property	328,444	38,429	-	366,873
Public Health Services	511	-	-	511
Leisure Time Activities	2,334	-	-	2,334
Community Environment	1,510	-	-	1,510
Transportation	12,774	95,126	-	107,900
General Government	190,111	590	-	190,701
Capital Outlay	-	9,600	285,448	295,048
<i>Total Cash Disbursements</i>	<u>535,684</u>	<u>143,745</u>	<u>285,448</u>	<u>964,877</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>168,919</u>	<u>25,567</u>	<u>-</u>	<u>194,486</u>
Other Financing Receipts (Disbursements)				
Transfers In	-	32,479	-	32,479
Transfers Out	(15,000)	(12,894)	(4,585)	(32,479)
Advances In	-	5,000	-	5,000
Advances Out	(5,000)	-	-	(5,000)
Other Financing Uses	(6,640)	-	-	(6,640)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(26,640)</u>	<u>24,585</u>	<u>(4,585)</u>	<u>(6,640)</u>
<i>Net Change in Fund Cash Balances</i>	142,279	50,152	(4,585)	187,846
<i>Fund Cash Balances, January 1</i>	<u>192,411</u>	<u>388,071</u>	<u>4,585</u>	<u>585,067</u>
Fund Cash Balances, December 31				
Nonspendable	211	-	-	211
Restricted	-	13,734	-	13,734
Committed	-	-	-	-
Assigned	10,507	424,489	-	434,996
Unassigned (Deficit)	323,972	-	-	323,972
<i>Fund Cash Balances, December 31</i>	<u>\$ 334,690</u>	<u>\$ 438,223</u>	<u>\$ -</u>	<u>\$ 772,913</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 (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Proprietary Fund Types	Totals
	Enterprise	(Memorandum Only)
Operating Cash Receipts		
Charges for Services	\$ 1,083,475	\$ 1,083,475
Miscellaneous	4,613	4,613
<i>Total Operating Cash Receipts</i>	1,088,088	1,088,088
Operating Cash Disbursements		
Personal Services	193,819	193,819
Fringe Benefits	98,702	98,702
Contractual Services	285,879	285,879
Supplies and Materials	106,707	106,707
Other	6,712	6,712
<i>Total Operating Cash Disbursements</i>	691,819	691,819
<i>Operating Income (Loss)</i>	396,269	396,269
Non-Operating Receipts (Disbursements)		
Special Assessments	2,163	2,163
Miscellaneous Receipts	2,171	2,171
Capital Outlay	(82,736)	(82,736)
Principal Retirement	(156,105)	(156,105)
Interest and Other Fiscal Charges	(28,899)	(28,899)
<i>Total Non-Operating Receipts (Disbursements)</i>	(263,406)	(263,406)
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	132,863	132,863
Transfers In	11,818	11,818
Transfers Out	(11,818)	(11,818)
<i>Net Change in Fund Cash Balances</i>	132,863	132,863
<i>Fund Cash Balances, January 1</i>	1,672,456	1,672,456
<i>Fund Cash Balances, December 31</i>	\$ 1,805,319	\$ 1,805,319

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

Village of Sabina, Ohio
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

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

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in one jointly governed organization. The jointly governed organization is the SRWW #2 Joint Fire District. It 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 has authority to levy taxes and approve its own budget. Funding for operations comes from the participants in the District, charge for services and a tax levy.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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:

Storm Sewer Project; named The Jefferson Street Storm Sewer Replacement Project CDBG 2016. The Capital Improvement Storm Grant fund account #4201 in the amount of \$320,000. and reports that a portion of the Permissive Tax fees restricted for construction, maintenance, and repair of streets within the Village were utilized for the Local share. The Project was under the direction of the Clinton County Engineers & Commissioners and is to be turned over to the Village upon completion.

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had no Debt Service Funds in 2018.

Village of Sabina, Ohio
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village did not have any significant capital projects in 2018.

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had no significant permanent funds for 2018.

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 The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Sanitation Fund The utility service fund accounts for rubbish and debris removal weekly. A utility monthly service charge for residents whom chose to opt in to service is recorded in this fund.

Storm Sewer Maintenance Fund The storm sewer fund accounts for the provisions of storm sewer maintenance to the residents and commercial users within the Village.

Swimming Pool Fund The pool recreation fund account provides summer activities to the residents either by opt in membership or daily admissions.

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

The Village had no private purpose trust funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for Unclaimed Monies held for five (5) years.

Basis of Accounting

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 Board 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.

Village of Sabina, Ohio
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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.

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.

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 re-appropriated.

A summary of 2018 budgetary activity appears in Note 3.

Capital Assets

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

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.

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:

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

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.

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.

Village of Sabina, Ohio
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ended December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$668,138	\$704,770	\$36,632
Special Revenue	192,555	201,791	9,236
Capital Projects	320,000	285,448	(34,552)
Enterprise	1,090,954	1,104,240	13,286
Total	\$2,271,647	\$2,296,249	\$24,602

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$761,971	\$557,324	\$204,647
Special Revenue	247,892	156,639	91,253
Capital Projects	324,585	290,033	34,552
Enterprise	1,228,754	971,377	257,377
Total	\$2,563,202	\$1,975,373	\$587,829

Village of Sabina, Ohio
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 4 – 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:

	<u>2018</u>
Demand deposits	\$2,378,399
Other time deposits (savings and NOW accounts)	<u>\$200,000</u>
Total deposits and investments	<u>\$2,578,399</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; [or] collateralized by securities specifically pledged by the financial institution to the Village; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

The Village has no Investments at this time.

Note 5 – Taxes

Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Income Taxes

The Village levies a municipal income tax of [1.5] 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 Regional Income Tax Agency for the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Village of Sabina, Ohio
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 6 - Risk Management

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

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation. Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

The Village 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. 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 York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

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, 2017, 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Government's share of these unpaid claims collectible in future years is approximately \$11,769.

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.

Village of Sabina, Ohio
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 6 - Risk Management (Continued)

2017 Contributions to PEP \$ 18,681
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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.

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Risk Pool Membership

The Village is a member of the Public Entities Pool Insurance. The Pool assumes the risk of loss up to the limits of the Village of Sabina policy. The Pool may make supplemental assessments if the experience of the overall pool is unfavorable. The Pool covers the following risks:

- General liability and casualty;
- Public official's liability; and
- Vehicle.

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2018.

Ohio Police and Fire Retirement System

Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

Village of Sabina, Ohio
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 - Defined Benefit Pension Plans

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2018.

Social Security

Retired part-time employees who do not have previous PERS withholdings accumulated opt for social security contributions.

The Village has under 7 part-time, including seasonal employees, 6 Council Members, and the Mayor contributing to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 10 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 11 – Debt

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
General Obligation Notes	407,233	0%
Ohio Water Development Authority Loan	291,299	3%
Ohio Water Development Authority Loan	1,913,176	1%
Total	\$2,611,708	

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 semi-annual installments of \$10,674 over 20 years.

Village of Sabina, Ohio
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 11 – Debt (Continued)

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 is semiannual installment; the amortization schedule was not yet available from OWDA including interest, 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.

The Village entered into a loan agreement with Ohio Water Development Authority January 2014 in the amount of \$335,000 at an interest rate of 2.99% for 30 years. The project was a Waterline Replacement for North Howard Street. The total funds in the amount of \$327,812.71 were fully disbursed and the loan closed on July 15, 2015.

Amortization

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

Year Ending December 31:	OPWC Loan #CJ02N	OWDA Loan #6240	OPWC Loan #CT46M	OWDA Loan #6491
2019	\$ 9,358	\$ 137,668	\$ 21,349	\$ 16,628
2020	9,358	137,668	21,349	16,628
2021	9,358	137,668	21,349	16,628
2022	9,358	137,668	21,349	16,628
2023	9,358	137,668	21,349	16,628
2024-2028	46,790	688,340	106,745	83,140
2029-2033	46,790	688,340	53,372	83,140
2034-2038	-	-	-	83,140
2039-2043	-	-	-	83,140
Total	\$ 140,370	\$ 2,065,020	\$ 266,862	\$ 415,700

Note 12 – Public Entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker’s compensation. The pool’s business and affairs are conducted by a twenty-six-member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

**VILLAGE OF SABINA
CLINTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 54,730	\$ 16,943	\$ -	\$ 71,673
Municipal Income Tax	368,207	-	-	368,207
Intergovernmental	56,306	122,937	-	179,243
Special Assessments	366	-	-	366
Charges for Services	375	-	-	375
Fines, Licenses and Permits	16,826	1,744	-	18,570
Earnings on Investments	2,684	163	-	2,847
Miscellaneous	14,687	114	-	14,801
<i>Total Cash Receipts</i>	<u>514,181</u>	<u>141,901</u>	<u>-</u>	<u>656,082</u>
Cash Disbursements				
Current:				
Security of Persons and Property	300,942	30,812	-	331,754
Public Health Services	514	-	-	514
Leisure Time Activities	1,128	-	-	1,128
Community Environment	3,737	-	-	3,737
Transportation	9,600	32,225	-	41,825
General Government	209,120	580	-	209,700
Capital Outlay	-	1,622	-	1,622
<i>Total Cash Disbursements</i>	<u>525,041</u>	<u>65,239</u>	<u>-</u>	<u>590,280</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(10,860)</u>	<u>76,662</u>	<u>-</u>	<u>65,802</u>
Other Financing Receipts (Disbursements)				
Transfers In	200,035	-	-	200,035
Advances In	5,000	5,000	-	10,000
Advances Out	(5,000)	(5,000)	-	(10,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>200,035</u>	<u>-</u>	<u>-</u>	<u>200,035</u>
<i>Net Change in Fund Cash Balances</i>	189,175	76,662	-	265,837
<i>Fund Cash Balances, January 1</i>	<u>3,236</u>	<u>311,409</u>	<u>4,585</u>	<u>319,230</u>
Fund Cash Balances, December 31				
Nonspendable	167	-	-	167
Restricted	-	7,436	4,585	12,021
Committed	-	-	-	-
Assigned	7,876	380,635	-	388,511
Unassigned (Deficit)	184,368	-	-	184,368
<i>Fund Cash Balances, December 31</i>	<u>\$ 192,411</u>	<u>\$ 388,071</u>	<u>\$ 4,585</u>	<u>\$ 585,067</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 (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Proprietary Fund Types	Totals
	Enterprise	(Memorandum Only)
Operating Cash Receipts		
Charges for Services	\$ 1,029,169	\$ 1,029,169
Miscellaneous	1,661	1,661
	<u>1,030,830</u>	<u>1,030,830</u>
<i>Total Operating Cash Receipts</i>		
Operating Cash Disbursements		
Personal Services	177,910	177,910
Fringe Benefits	92,336	92,336
Contractual Services	242,119	242,119
Supplies and Materials	91,050	91,050
Other	7,332	7,332
	<u>610,747</u>	<u>610,747</u>
<i>Total Operating Cash Disbursements</i>		
<i>Operating Income (Loss)</i>	<u>420,083</u>	<u>420,083</u>
Non-Operating Receipts (Disbursements)		
Special Assessments	2,886	2,886
Miscellaneous Receipts	65,779	65,779
Capital Outlay	(44,168)	(44,168)
Principal Retirement	(154,710)	(154,710)
Interest and Other Fiscal Charges	(30,293)	(30,293)
	<u>(160,506)</u>	<u>(160,506)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>		
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<u>259,577</u>	<u>259,577</u>
Transfers Out	(200,035)	(200,035)
	<u>59,542</u>	<u>59,542</u>
<i>Net Change in Fund Cash Balances</i>		
<i>Fund Cash Balances, January 1</i>	<u>1,612,914</u>	<u>1,612,914</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,672,456</u>	<u>\$ 1,672,456</u>

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

Village of Sabina, Ohio
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

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

The Village of Sabina is not in Fiscal Distress at this time. However, startup cash for the General Fund was extremely low. To remedy this hardship the Village petitioned the Clinton County Courts to authorize the use of Sewer Sanitation emergency funds to be transferred to the General Fund in the amount of \$200,000. This was done with the approval of the State Treasurer. To ensure adequate funds in the future a .5% Income Tax increase was passed in 2017 and began collections in July.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related 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 has authority to levy taxes and approve its own budget. Funding for operations come from the participants in the District, charge for services and a tax levy.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Village of Sabina, Ohio
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

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 The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had no Debt Service Funds in 2017.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The Village had no new projects in 2017, however the amount of \$4585.32 is remaining in a grant supplied fund that needs to be transferred to the street fund. Invoices were paid from the street fund to prove payment for release of final grant monies at the end of 2016

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had no significant permanent funds for 2017.

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 The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Sanitation Fund The utility service fund accounts for rubbish and debris removal weekly. A utility monthly service charge for residents whom chose to opt in to service is recorded in this fund.

Fiduciary Funds: Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village had no Fiduciary Funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for Unclaimed Monies held for five (5) years.

Village of Sabina, Ohio
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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 Board 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.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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.

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.

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 re-appropriated.

A summary of 2017 budgetary activity appears in Note 3.

Capital Assets

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

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.

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:

Village of Sabina, Ohio
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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.

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.

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 the Village Council or a Village official delegated that authority by resolution, or by State Statute.

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ended December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$739,726	\$704,216	(\$35,510)
Special Revenue	146,528	141,901	(4,627)
Enterprise	983,892	1,099,495	115,603
Total	\$1,870,146	\$1,945,612	\$75,466

Village of Sabina, Ohio
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 - Budgetary Activity (Continued)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$683,697	\$525,041	\$158,656
Special Revenue	155,650	65,239	90,411
Enterprise	1,143,779	772,141	371,638
Total	\$1,983,126	\$1,362,421	\$620,705

Note 4 – 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:

	2018
Demand deposits	\$2,057,523
Other time deposits (savings and NOW accounts)	200,000
Total deposits	2,257,523
Total deposits and investments	\$2,257,523

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; [or] collateralized by securities specifically pledged by the financial institution to the Village; or collateralized through the Ohio Pooled Collateral System (OPCS).

Note 5 – Taxes

Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

Village of Sabina, Ohio
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 5 – Taxes (Continued)

Income Taxes

The Village levies a municipal income tax of [1.5] 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 Regional Income Tax Agency for the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 - Risk Management

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

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation. Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

The Village 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. 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 York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

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, 2017, 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	2016
Assets	\$42,182,281
Liabilities	(13,396,700)
Net Position	<u>\$28,785,581</u>

Village of Sabina, Ohio
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 - Risk Management (Continued)

At December 31, 2016 the liabilities above include approximately \$12 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Government's share of these unpaid claims collectible in future years is approximately \$16,000.

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>2017 Contributions to PEP</u> <u>\$25,205</u>

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.

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2017.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

Village of Sabina, Ohio
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 - Defined Benefit Pension Plans (Continued)

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

Social Security

Seven (7) Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 10 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 11 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	288,211	0%
Ohio Public Works Commission Loan	149,729	0%
Ohio Water Development Authority Loan	2,030,829	1%
Ohio Water Development Authority Loan	299,043	2.99%
Total	\$2,767,812	

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 semi-annual installments of \$10,674 over 20 years.

Village of Sabina, Ohio
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 11 – Debt (Continued)

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 is semiannual installment; the amortization schedule was not yet available from OWDA including interest, 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.

The Village entered into a loan agreement with Ohio Water Development Authority January 2014 in the amount of \$335,000 at an interest rate of 2.99% for 30 years. The project was a Waterline Replacement for North Howard Street. The total funds in the amount of \$327,812.71 were fully disbursed and the loan closed on July 15, 2015.

Amortization

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

Year Ending December 31:	OPWC Loan #CJ02N	OWDA Loan #6240	OPWC Loan #CT46M	OWDA Loan #6491
2018	\$ 9,358	\$ 137,668	\$ 21,349	\$ 16,628
2019	9,358	137,668	21,349	16,628
2020	9,358	137,668	21,349	16,628
2021	9,358	137,668	21,349	16,628
2022	9,358	137,668	21,349	16,628
2023-2027	46,790	688,340	106,745	83,140
2028-2032	46,790	688,340	74,721	83,140
2033-2037	9,358	137,668	-	83,140
2038-2042	-	-	-	83,140
2043-2047	-	-	-	16,628
Total	\$ 149,728	\$ 2,202,688	\$ 288,211	\$ 432,328

Note 15 – 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 has authority to levy taxes and approve its own budget. Funding for operations come from the participants in the District, charge for services and a tax levy.

Note 16 – Public Entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker’s compensation. The pool’s business and affairs are conducted by a twenty-six-member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.



**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH 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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Sabina, Clinton County, Ohio, (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated June 25, 2019 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 provisions Ohio Revised Code 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Village’s internal control.

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 a material weakness 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 finding 2018-001 described in the accompanying schedule of findings to be a material weakness.

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 2018-002 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2018-001.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

LINDHOLM + COMPANY

Worthington, Ohio
June 25, 2019

VILLAGE OF SABINA
CLINTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017

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

FINDING NUMBER 2018-001

Material Weakness and Material Noncompliance

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 the 2013 and 2014 audit, the Auditor of State issued a finding for adjustment 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 made partial adjustments to their accounting system or financial statements and we have modified our audit opinion.

Insurance Allocation

During the 2013 and 2014 audit, the Auditor of State issued 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.

We recommend that the Village book the adjustments when the General Fund has funds to cover the findings for adjustments.

FINDING NUMBER 2018-002

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

**VILLAGE OF SABINA
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

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 at December 31, 2017 of \$167 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, 2018 and 2017 of \$10,507 and \$7,876 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.

Officials' Response:

The officials did not respond to this finding.

**VILLAGE OF SABINA
CLINTON COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2016-001	Provides that money paid into a fund shall be used only for the purpose for which such a fund is established.	No	Repeated as 2018-001
2016-002	Governments are required to maintain an accounting system and accounting records.	Yes	Corrected
2016-003	Fund Balance Reporting and Governmental Fund Type Definitions, introduces five fund balance classifications and clarifies the existing governmental fund type definitions	No	Repeated as 2018-002.

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF SABINA

CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 3, 2019**