

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

*Financial Statements
(Audited)*

For The Years Ended
December 31, 2015 and 2014

RICHARD D. GIROUX, VILLAGE MANAGER

OHIO AUDITOR OF STATE KEITH FABER



January 22, 2019

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 14, 2019. Reports completed prior to that date contain the signature of my predecessor.

Ohio Auditor of State

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Dave Yost • Auditor of State

Village Council
Village of Sebring
135 E. Ohio Avenue
Sebring, OH 44672

We have reviewed the *Independent Auditor's Report* of the Village of Sebring, Mahoning County, prepared by Julian & Grube, Inc., for the audit period January 1, 2014 through December 31, 2015. 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 Sebring is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 31, 2016

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**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Village of Sebring
Mahoning County
135 East Ohio Avenue
Sebring, Ohio 44672

To the Member of Council and Mayor:

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 Sebring, Mahoning County, Ohio as of and for the years ended December 31, 2015 and 2014.

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 of Sebring'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 of Sebring'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 audit opinion.

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

As described in Note 1 of the financial statements, the Village of Sebring 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 of Sebring 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 of Sebring as of December 31, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Sebring, Mahoning County, Ohio as of December 31, 2015 and 2014, 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 July 28, 2016, on our consideration of the Village of Sebring'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 of Sebring's internal control over financial reporting and compliance.



Julian & Grube, Inc.
July 28, 2016

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash receipts:				
Property and other local taxes	\$ 184,874	\$ 237,979	\$ -	\$ 422,853
Income tax	1,249,455	140,667	264,785	1,654,907
Intergovernmental	14,154	212,151	-	226,305
Special assessments	54	-	-	54
Charges for services	83,101	132,639	-	215,740
Fines, licenses, and permits	74,415	-	-	74,415
Interest	33	-	-	33
Donations and contributions	2,750	10,124	-	12,874
Miscellaneous	15,911	1,048	1,991	18,950
Total cash receipts	<u>1,624,747</u>	<u>734,608</u>	<u>266,776</u>	<u>2,626,131</u>
Cash disbursements:				
Current:				
Security of persons and property	812,893	194,827	-	1,007,720
Public health services	12,871	15,646	-	28,517
Leisure time activities	-	182,709	-	182,709
Community environment	29,500	-	-	29,500
Transportation	-	382,275	194,617	576,892
General government	537,192	102,496	-	639,688
Capital outlay	18,724	20,328	3,432	42,484
Debt service:				
Principal retirement	244,362	-	-	244,362
Interest	30,127	-	-	30,127
Total cash disbursements	<u>1,685,669</u>	<u>898,281</u>	<u>198,049</u>	<u>2,781,999</u>
Excess of receipts over/(under) disbursements	<u>(60,922)</u>	<u>(163,673)</u>	<u>68,727</u>	<u>(155,868)</u>
Other financing receipts/(disbursements):				
Sale of notes	150,000	-	-	150,000
Transfers in	-	227,629	-	227,629
Transfers out	(227,629)	-	-	(227,629)
Other sources	11,367	-	-	11,367
Total other financing receipts/(disbursements)	<u>(66,262)</u>	<u>227,629</u>	<u>-</u>	<u>161,367</u>
Net change in fund cash balances	(127,184)	63,956	68,727	5,499
Fund cash balances, January 1, 2015	<u>719,604</u>	<u>470,978</u>	<u>328,202</u>	<u>1,518,784</u>
Fund cash balances:				
Restricted	-	382,691	-	382,691
Committed	122	152,243	396,929	549,294
Unassigned	592,298	-	-	592,298
Fund cash balances, December 31, 2015	<u>\$ 592,420</u>	<u>\$ 534,934</u>	<u>\$ 396,929</u>	<u>\$ 1,524,283</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
FUND BALANCES (CASH BASIS) - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Charges for services	\$ 1,748,982	\$ -	\$ 1,748,982
Total operating cash receipts	<u>1,748,982</u>	<u>-</u>	<u>1,748,982</u>
Operating cash disbursements:			
Personal services	472,905	-	472,905
Employee fringe benefits	173,952	-	173,952
Contractual services	1,279,262	-	1,279,262
Supplies and material	180,128	-	180,128
Miscellaneous	6,115	-	6,115
Total operating cash disbursements	<u>2,112,362</u>	<u>-</u>	<u>2,112,362</u>
Operating income (loss)	<u>(363,380)</u>	<u>-</u>	<u>(363,380)</u>
Nonoperating cash receipts/(disbursements):			
Sale of notes	704,569	-	704,569
Intergovernmental receipts	287,017	-	287,017
Capital outlay	(9,987)	-	(9,987)
Debt service:			
Principal	(474,398)	-	(474,398)
Interest	(128,492)	-	(128,492)
Total nonoperating cash receipts/(disbursements)	<u>378,709</u>	<u>-</u>	<u>378,709</u>
Income (loss) before transfers	15,329	-	15,329
Transfers in	230,554	-	230,554
Transfers out	<u>(230,554)</u>	<u>-</u>	<u>(230,554)</u>
Net change in fund cash balances	15,329	-	15,329
Fund cash balances, January 1, 2015	<u>675,014</u>	<u>9,508</u>	<u>684,522</u>
Fund cash balances, December 31, 2015	<u>\$ 690,343</u>	<u>\$ 9,508</u>	<u>\$ 699,851</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

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

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash receipts:				
Property and other local taxes	\$ 172,357	\$ 225,488	\$ -	\$ 397,845
Income tax	1,220,598	137,419	258,670	1,616,687
Intergovernmental	72,354	194,358	-	266,712
Special assessments	65	-	-	65
Charges for services	149,337	129,316	-	278,653
Fines, licenses, and permits	72,523	-	-	72,523
Interest	25	-	-	25
Donations and contributions	-	9,519	-	9,519
Miscellaneous	67,337	8,388	7,962	83,687
Total cash receipts	<u>1,754,596</u>	<u>704,488</u>	<u>266,632</u>	<u>2,725,716</u>
Cash disbursements:				
Current:				
Security of persons and property	756,311	211,863	-	968,174
Public health services	12,631	-	-	12,631
Leisure time activities	-	150,999	-	150,999
Transportation	-	298,116	47,765	345,881
General government	612,698	82,678	-	695,376
Capital outlay	-	262	4,970	5,232
Debt service:				
Principal retirement	98,724	-	200,000	298,724
Interest	30,856	-	3,170	34,026
Total cash disbursements	<u>1,511,220</u>	<u>743,918</u>	<u>255,905</u>	<u>2,511,043</u>
Excess of receipts over/(under) disbursements	<u>243,376</u>	<u>(39,430)</u>	<u>10,727</u>	<u>214,673</u>
Other financing receipts/(disbursements):				
Sale of notes	-	-	175,000	175,000
Transfers in	-	97,200	-	97,200
Transfers out	(284,300)	(27,200)	-	(311,500)
Other sources	5,250	-	-	5,250
Total other financing receipts/(disbursements)	<u>(279,050)</u>	<u>70,000</u>	<u>175,000</u>	<u>(34,050)</u>
Net change in fund cash balances	(35,674)	30,570	185,727	180,623
Fund cash balances, January 1, 2014	<u>755,278</u>	<u>440,408</u>	<u>142,475</u>	<u>1,338,161</u>
Fund cash balances:				
Restricted	-	310,477	-	310,477
Committed	475	160,501	328,202	489,178
Unassigned	719,129	-	-	719,129
Fund cash balances, December 31, 2014	<u>\$ 719,604</u>	<u>\$ 470,978</u>	<u>\$ 328,202</u>	<u>\$ 1,518,784</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

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

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Charges for services	\$ 1,715,705	\$ 17,776	\$ 1,733,481
Total operating cash receipts	1,715,705	17,776	1,733,481
Operating cash disbursements:			
Personal services	482,301	-	482,301
Employee fringe benefits	170,634	-	170,634
Contractual services	4,128,607	-	4,128,607
Supplies and material	163,108	-	163,108
Miscellaneous	12,663	9,776	22,439
Total operating cash disbursements	4,957,313	9,776	4,967,089
Operating income (loss)	(3,241,608)	8,000	(3,233,608)
Nonoperating cash receipts/(disbursements):			
Sale of notes	3,777,495	-	3,777,495
Intergovernmental receipts	102,377	-	102,377
Capital outlay	(35,893)	-	(35,893)
Debt service:			
Principal	(307,579)	-	(307,579)
Interest	(122,754)	-	(122,754)
Total nonoperating cash receipts/(disbursements)	3,413,646	-	3,413,646
Income (loss) before transfers	172,038	8,000	180,038
Transfers in	451,604	-	451,604
Transfers out	(237,304)	-	(237,304)
Net change in fund cash balances	386,338	8,000	394,338
Fund cash balances, January 1, 2014	288,676	1,508	290,184
Fund cash balances, December 31, 2014	\$ 675,014	\$ 9,508	\$ 684,522

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF SEBRING
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 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 Sebring, Mahoning County, Ohio (the "Village") as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides fire services, water and sewer utilities, park operations, street maintenance and repair, police services, as well as other general government services.

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 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.

C. Deposits and Investments

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

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.

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 Fund:

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

**VILLAGE OF SEBRING
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. 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 the following significant Capital Project Fund:

Capital Improvement Fund - This fund receives a portion of the Village's income tax receipts for equipment purchases and repairs, improvements to the Village's buildings and other structures, street projects and miscellaneous projects.

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

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

WWTP Phosphorus Reimbursement Fund - This fund receives loan proceeds from the Ohio Water Development Authority to finance plant improvements. A utility surcharge recorded in this fund will repay this loan.

5. 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 did not maintain any 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 Funds account for fire damage done to buildings in the community and for possible damage done by contractors doing work within the Village limits.

E. Budgetary Process

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

1. Appropriations

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

**VILLAGE OF SEBRING
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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. The Village did not encumber all commitments required by Ohio law.

A summary of 2015 and 2014 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.

**VILLAGE OF SEBRING
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

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. Interfund Transactions

During the course of normal operations, the Village has transactions between funds. The most significant included transfer of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers.

I. 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.

NOTE 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:

	<u>2015</u>	<u>2014</u>
Demand deposits	<u>\$ 2,224,134</u>	<u>\$ 2,203,306</u>

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

**VILLAGE OF SEBRING
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 3 - BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,798,217	\$1,774,693	(\$23,524)
Special Revenue	1,270,173	973,658	(296,515)
Capital Projects	750,000	266,776	(483,224)
Enterprise	3,305,487	2,971,122	(334,365)
Total	\$7,123,877	\$5,986,249	(\$1,137,628)

2015 Budgeted vs. Actual Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,579,737	\$1,885,988	\$693,749
Special Revenue	780,077	952,426	(172,349)
Capital Projects	649,672	198,049	451,623
Enterprise	3,163,015	3,020,512	142,503
Total	\$7,172,501	\$6,056,975	\$1,115,526

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,663,254	\$1,754,542	\$91,288
Special Revenue	796,880	806,991	10,111
Capital Projects	750,000	441,632	(308,368)
Enterprise	4,104,619	6,047,182	1,942,563
Total	\$7,314,753	\$9,050,347	\$1,735,594

2014 Budgeted vs. Actual Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,489,839	\$1,732,559	(\$242,720)
Special Revenue	800,846	842,989	(42,143)
Capital Projects	210,000	255,905	(45,905)
Enterprise	7,514,265	5,683,177	1,831,088
Total	\$10,014,950	\$8,514,630	\$1,500,320

On the financial statements, the General Fund receipts and disbursements include certain Special Revenue Funds activities in accordance with GASB 54. In the presentation above, they are presented as Special Revenue Funds.

**VILLAGE OF SEBRING
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 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.

NOTE 5 - LOCAL INCOME TAX

The Village levies a municipal income tax of two 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. Income tax revenues are credited to the General, Special Revenue, and Capital Projects funds.

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**VILLAGE OF SEBRING
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 6 - DEBT

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission (OPWC) - Note for the Downtown Revitalization project, due in semiannual installments of \$ 9,362, through 2026.	\$ 205,963	0.00%
Ohio Public Works Commission (OPWC) - Note #1 for the Carbon Filtration System due in semiannual installments of \$ 39,448, through 2035.	\$ 1,499,023	0.00%
Ohio Public Works Commission (OPWC) - Note #2 for the Carbon Filtration System due in semiannual installments of \$ 5,755, through 2035.	\$ 218,674	0.00%
Ohio Water Development Authority (OWDA) - Waste Water Treatment Plan Phase II note for the improvements to the sewer treatment plant due in semiannual installments of varying amounts, through 2024.	\$ 367,968	4.84%
Ohio Water Development Authority (OWDA) - Note for a Headworks Bypass and Sewer rehabilitation Project due in semiannual installments of \$38,114, through 2030.	\$ 1,026,540	1.00%
Ohio Water Development Authority (OWDA) - Note for a Water Pollution Control Fund due in semiannual installments of \$ 76,436. Not complete as of December 31, 2015.	\$ 2,441,201	1.00%
Ohio Water Development Authority (OWDA) - Note for a Water Pollution Control Fund due in semiannual installments of \$ 10,358. Not complete as of December 31, 2015.	\$ 349,093	1.00%
Berkadia - Waterworks System First Mortgage Revenue Bond for improvements to the Village's waterworks system due in annual installments of varying amounts, through 2022.	\$ 1,226,000	5.00%
U.S. Bank - Streetscape Improvement Bonds for downtown economic revitalization improvements to Maryland and Ohio Avenues in the Village, due in semiannual installments of \$ 30,000 plus interest, through 2023.	\$ 450,000	5.38%
Farmers National Bank - Real Estate Acquisition and Improvement Note, Series 2015.	\$ 150,000	2.37%
Ohio Water Development Authority (OWDA) - Note for a Water Plant Filter and Waste System Improvements, not complete as of December 31, 2015.	\$ 217,294	0.00%
Ohio Water Development Authority (OWDA) - Note for Phase 1 of Waterline Replacement, not complete as of December 31, 2015	\$ 85,384	2.57%

**VILLAGE OF SEBRING
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 6 - DEBT - (Continued)

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

Year ending	OPWC Note #1 Carbon Filtration System		OPWC Note #2 Carbon Filtration System		OPWC Downtown Revitalization	
	Principal	Interest	Principal	Interest	Principal	Interest
December 31:						
2016	\$ 78,896	\$ -	\$ 11,509	\$ -	\$ 18,724	\$ -
2017	78,896	-	11,509	-	18,724	-
2018	78,896	-	11,509	-	18,724	-
2019	78,896	-	11,509	-	18,724	-
2020	78,896	-	11,509	-	18,724	-
2021-2025	394,480	-	57,545	-	93,620	-
2026-2030	394,480	-	57,545	-	18,723	-
2031 - 2035	315,583	-	46,039	-	-	-
Total	<u>\$ 1,499,023</u>	<u>\$ -</u>	<u>\$ 218,674</u>	<u>\$ -</u>	<u>\$ 205,963</u>	<u>\$ -</u>

Year ending	OWDA Headworks Bypass and Sewer Rehabilitation		Waterworks System		Streetscape Improvement Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
December 31:						
2016	\$ 66,129	\$ 10,101	\$ 153,000	\$ 61,300	\$ 60,000	\$ 23,403
2017	66,792	9,438	156,000	53,650	60,000	20,175
2018	67,461	8,768	168,000	45,850	60,000	16,947
2019	68,137	8,092	173,000	37,450	60,000	13,719
2020	68,821	7,409	185,000	28,800	60,000	10,491
2021-2025	354,590	26,555	391,000	29,550	150,000	12,105
2026-2030	334,610	8,421	-	-	-	-
Total	<u>\$1,026,540</u>	<u>\$78,784</u>	<u>\$1,226,000</u>	<u>\$256,600</u>	<u>\$450,000</u>	<u>\$96,840</u>

Year ending	Series 2015 Real Estate Acquisition Note		OWDA Water Treatment Phase II		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
December 31:						
2016	\$ 150,000	\$ 3,560	\$ 35,939	\$ 14,364	\$ 574,197	\$ 112,728
2017	-	-	37,699	12,909	429,620	96,172
2018	-	-	39,546	11,382	444,136	82,947
2019	-	-	41,482	9,782	451,748	69,043
2020	-	-	43,515	8,102	466,465	54,802
2021-2025	-	-	169,787	13,908	1,611,022	82,118
2026-2030	-	-	-	-	805,358	8,421
2031 - 2035	-	-	-	-	361,622	-
Total	<u>\$ 150,000</u>	<u>\$ 3,560</u>	<u>\$ 367,968</u>	<u>\$ 70,447</u>	<u>\$ 5,144,168</u>	<u>\$ 506,231</u>

The OWDA Loans for Water Pollution Control, Water Plant Filter and Waste System Improvements, and Waterline Replacement have not been completely disbursed and thus there are no amortization schedules available.

**VILLAGE OF SEBRING
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 7 - DEBT COVENANT

The Village's Water Works System revenue bond debt covenant requires the Village to maintain a Water Works System 1st Mortgage Revenue Fund, a Water Works System Debt Service Fund, and a Water Works System Reserve Fund. The debt covenant further requires the following: the Village must first pay all reasonable and proper expenses of operating and maintain the Water Works Fund; second, the Village must monthly, deposit 1/12th of the next ensuing principal and interest payment into the Water Works System Debt Service Fund; third, out of the remaining balance the Village must make up any previous deficiency in any monthly allocation; and fourth, out of the remaining balance of income and revenue after the previous allocations required are made, deposit in the Water Works System Reserve Fund the sum of \$1,767 each month until there is accumulated in the fund the sum of \$212,040 after which no further deposit need be made into said Water Works System Reserve Fund except to replace withdrawals. Whenever disbursements are made from the Water Works Reserve Fund, monthly payments in the amount of \$1,767 shall be resumed until there is again accumulated in the fund the maximum amount of \$212,040, at which time payments may be discontinued. The balance in the Debt Reserve Fund at December 31, 2015 and 2014 were \$107,787 and \$86,583, respectively. For the years ended December 31, 2015 and 2014, the required funds existed and were properly funded.

NOTE 8 - LEASE-PURCHASE AGREEMENT

In 2012, the Village entered into a lease-purchase agreement with OshKosh Capital for a 2012 Pierce Impel Fire Truck. The equipment purchase price was \$452,149 and rendered a prepay discount in the amount of \$16,109 with the balance of \$436,040 to be financed over 10 years. The payments of principal and interest for the years ended December 31, 2015 and 2014 were in the amounts of \$81,356 and \$4,369, and \$83,512 and \$2,214, respectively, and are paid from the Special Revenue fund type, Fire Levy Fund, security of persons and property line item on the financial statements.

On May 18, 2015, the Village made the final payment.

NOTE 9 - 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. For January 1, 2014 to June 30, 2014, OP&F participants contributed 10.75% of their annual wages. From July 1, 2014 to June 30, 2015 OP&F participants were required to contribute 11.5% of their annual wages. From July 1, 2015 to December 31, 2015 OP&F members were required to contribute 12.25% of their annual wages. For 2015 and 2014, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2015 and 2014, 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, 2015.

**VILLAGE OF SEBRING
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 10 - RISK MANAGEMENT

A. Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- General liability and casualty
- Public officer's liability
- Property (fleet and fire)

Settlement amounts did not exceed insurance coverage for the past three fiscal years. There has been no significant reduction in insurance coverages from prior years.

B. Medical

For 2015 and 2014, the Village provided traditional health, life, disability, and prescription insurance to full-time employees through a private carrier.

NOTE 11 - CONTINGENT LIABILITIES

Litigation

The Village is currently not involved in litigation for which the Village's legal counsel anticipates a loss.

Grants

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

NOTE 12 - RELATED PARTY TRANSACTIONS

A Village Council member is part owner of a company from which the Village recently provided a Revolving Loan to the Business. The Village loaned \$21,000 to this business.

NOTE 13 - SUBSEQUENT EVENTS

In January of 2016, the Village of Sebring notified its residents about potential lead levels in the drinking water based on EPA testing.

NOTE 14 - OTHER SOURCES

For the years ended December 31, 2015 and 2014, general fund other sources consisted of revolving loan repayments of principal and interest.

NOTE 15 - COMPLIANCE

- A.** The Village did not timely certify expenditures for the years ended December 31, 2015 and December 31, 2014 in noncompliance with the Ohio Revised Code Section 5705.41(D).

**VILLAGE OF SEBRING
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 15 - COMPLIANCE - (Continued)

- B.** The Village has appropriations in excess of estimated resources at the year end and throughout the years ended December 31, 2015 and 2014 in noncompliance with Ohio Revised Code Sections 5705.39, and 5705.36.
- C.** The Village has expenditures in excess of appropriations at the year ended and throughout the years ended December 31, 2015 and 2014 in noncompliance with Ohio Revised Code Sections 5705.40 and 5705.41(B).
- D.** The Village had appropriations in excess of actual resources at the years ended December 31, 2015 and 2014 in noncompliance with Ohio Revised Code Section 5705.36(A)(4).
- E.** The Village did not amend appropriations or estimated resources for on behalf payments from Ohio Public Works Commission or Ohio Water Development Authority during the years ended December 31, 2015 and 2014, which is in noncompliance with Ohio Revised Code Section 5705.42.

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

Village of Sebring
Mahoning County
135 East Ohio Avenue
Sebring, Ohio 44672

To the Members of Council and Mayor:

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 cash balances, receipts, and disbursements by fund type of the Village of Sebring, Mahoning County, Ohio as of and for the years ended December 31, 2015 and December 31, 2014, and the related notes to the financial statements and have issued our report thereon dated July 28, 2016, wherein we noted the Village of Sebring followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village of Sebring'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 of Sebring's internal control. Accordingly, we have not opined on it.

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 of Sebring's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider material weaknesses. We consider findings 2015-001 through 2015-008 to be material weaknesses.

Members of Council and Mayor
Village of Sebring

Compliance and Other Matters

As part of reasonably assuring whether the Village of Sebring'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 findings and responses as items, 2015-002 through 2015-008.

Village of Sebring's Response to Findings

The Village of Sebring's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Village of Sebring'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 of Sebring's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village of Sebring's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
July 28, 2016

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2015-001

Material Weakness - Financial Reporting

A critical part of financial reporting is to maintain internal controls to help ensure the proper reporting of financial statement amounts.

We identified misstatements in the financial statements for the years under audit that were not initially identified by the Village's internal controls.

The Village had the following audit adjustments necessary to properly record activity in 2015.

Enterprise Fund Type:

WWTP Phosphorus Reimbursement Fund

Increase intergovernmental receipts and contract service disbursements in the amount of \$287,017 to properly reflect on behalf payments made by the Ohio Public Works Commission.

WWTP Phosphorus Reimbursement Fund

Increase sale of notes and contract service disbursements in the amount of \$704,569 to properly reflect on behalf payments made by the Ohio Water Development Authority.

The Village had the following audit adjustments necessary to properly record activity in 2014.

Enterprise Fund Type:

WWTP Carbon Filters Fund

Increase intergovernmental receipts and contract service disbursements in the amount of \$102,378 to properly record various reimbursements originally recorded as negative disbursements.

WWTP Phosphorus Reimbursement Fund

Increase sale of notes and contract service disbursements in the amount of \$1,278,677 to properly reflect the on behalf payments made by the Ohio Public Works Commission. In addition, a reclassification was necessary to decrease intergovernmental receipts and increase sale of notes in the amount of \$249,279 to properly categorize the on behalf payments made by Ohio Public Works Commission.

WWTP Phosphorus Reimbursement Fund

Increase sale of notes and contract service disbursements in the amount of \$2,249,539 to properly reflect on behalf payments made by the Ohio Water Development Authority.

The Village's records have been adjusted to reflect these adjustments.

Although none of the adjustments had any effect on the fund balance, proper posting of on behalf receipts and disbursements is a crucial part of the Village's financial statements as potential users may rely on the statements to make decisions that could have an impact on the Village. In addition, improper posting of receipts could mislead the Members of Council and Village citizens as improper financial reporting may misrepresent individual fund balances and possibly misrepresent budget and planning reports.

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2015-001 - (Continued)

We recommend that the Village implement additional internal controls to help ensure receipts and disbursements are properly recorded and reflected in the Village’s records. We further recommend the Village implement additional internal controls over financial reporting to help ensure accurate financial reports throughout the year and at year end. We also recommend the Village consult their auditors, local government services or SSI for proper posting of transactions if questions arise.

Client Response: The Village will attempt to properly post all transactions in the future. The Village Manager will consult the Village Handbook and/or Local Government Services when unusual/or infrequent transactions occur.

Finding Number	2015-002
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Material Weakness/Noncompliance

Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The Village had 74.36% and 86.84% of expenditures that were not timely certified for the years ended December 31, 2015 and December 31, 2014, respectively.

Without timely certification, the Village may expend more funds than available in the Treasury, in the process of collection or in the funds appropriated. It may also result in unnecessary purchases.

We recommend that all orders or contracts involving the expenditure of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. A policy and procedure statement adopted by the Council and distributed at least annually may be beneficial. The Village should consider using “Then” and “Now” certificates where applicable.

Client Response: The Village is continually trying to improve its ordering and purchasing process to decrease its noncompliance percentage.

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2015-003

Material Weakness/Noncompliance

Ohio Revised Code Section 5705.41(B) provides that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

The Village had expenditures exceeding appropriations in the following funds and by the corresponding amounts at December 31, 2015 and 2014:

Fund Type/Fund

<u>2015</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>Special Revenue Funds:</u>			
Income Tax Fund	\$ 76,761	\$ 98,448	\$ 21,687
Fire Levy Fund	88,825	90,017	1,192
Recreation Fund	62,764	92,641	29,877
Code Enforcement Fund	-	15,646	15,646
Community Center Fund	41,853	46,928	5,075
Special Project Grant Fund	-	139,151	139,151
Pool Fund	40,110	46,165	6,055
Revolving Loan Fund	10,498	29,500	19,002
EMS Fund	92,742	107,414	14,672
<u>Enterprise Funds:</u>			
Water 1st Mortgage Fund	-	209,350	209,350
Storm Water Fund	40,500	50,370	9,870
WWTP Phosphorus Reimbursement Fund	14,378	1,001,394	987,016

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2015-003 - (Continued)

Fund Type/Fund

<u>2014</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund	\$ 1,489,839	\$ 1,732,559	\$ 242,720
<u>Capital Projects Fund:</u>			
Capital Improvements Fund	210,000	255,905	45,905
<u>Special Revenue Funds:</u>			
EMS Fund	88,900	94,805	5,905
Street Maintenance and Repair Fund	256,072	300,508	44,436
Income Tax Fund	70,498	79,933	9,435
Fire Levy Fund	94,150	119,493	25,343
Pool Fund	38,663	46,805	8,142
Demolition Fund	30,000	67,650	37,650
<u>Enterprise Funds:</u>			
Water 1st Mortgage Fund	209,700	214,300	4,600
Sewer System Fund	652,906	709,270	56,364
WWTP Phosphorus Reimbursement Fund	2,762,596	3,768,239	1,005,643
Sewer 1st Mortgage Fund	128,715	216,033	87,318

Disclosure is presented at the fund level, rather than at the department and object level within the fund due to the practicality of determining these values.

We recommend that Village Council and the Village Manager closely monitor the annual budget and file amended certificates of estimated resources and appropriations as needed to ensure disbursements are within the amounts legally appropriated. In addition, we also recommend the Village Manager review and amend appropriations when it is determined that expenditures will exceed appropriations.

Client Response: When necessary, the Village will file amended appropriations as needed to ensure disbursements are within the amounts legally appropriated. The administration will deny any and all expenditures that exceed appropriations.

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2015-004

Material Weakness/Noncompliance

Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure be made by Council resolution and comply with the same provisions of the law as used in making the original appropriations.

Expenditures exceeded appropriations during 2015 and 2014 due to the Village not timely or properly modifying its appropriations throughout the year.

By not timely and properly modifying the Village’s appropriations, the Village is not adequately monitoring appropriations versus expenditures. With expenditures exceeding appropriations, overspending may occur which may result in a negative fund balance.

We recommend that the Village comply with Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary.

Client Response: The Village will continue to attempt to modify appropriations in an efficient and accurate manner.

Finding Number	2015-005
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Material Weakness/Noncompliance

Ohio Revised Code Section 5705.39 in part requires that total appropriations from each fund should not exceed total estimated resources.

At December 31, 2015 and December 31, 2014 the Village had appropriations in excess of estimated resources in the following funds:

<u>Fund Type/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>2015</u>			
General Fund	\$ 2,459,925	\$ 2,575,048	\$ 115,123
<u>Special Revenue Fund:</u>			
Demolition Fund	16,975	25,000	8,025
<u>Enterprise Fund:</u>			
Carbon Filters Storm Water Fund	22,466	1,250,000	1,227,534

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2015-005 - (Continued)

<u>Fund Type/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>2014</u>			
<u>Special Revenue Funds:</u>			
Recreational Fund	\$ 95,108	\$ 107,761	\$ 12,653
Pool Fund	35,477	38,663	3,186
Demolition Fund	19,571	30,000	10,429
<u>Enterprise Funds:</u>			
WWTP Phosphorus Reimbursement Fund	5,162	2,762,596	2,757,434
Carbon Filters Storm Water Fund	11,088	2,718,682	2,707,594

With appropriations exceeding estimated resources, the Village is appropriating monies that are not in the Treasury or in the process of collection that have been certified with the County Auditor. Thus, over appropriating may cause expenditures to increase and cause a deficit fund balance.

We recommend the Village comply with the Ohio Revised Code by monitoring appropriations so they do not exceed estimated resources. This may be achieved by monitoring the budget more closely on a continual basis and amending estimated resources or appropriations as necessary.

Client Response: The Village will continue to attempt to modify appropriations and amended certificates in an efficient and accurate manner.

Finding Number	2015-006
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Material Weakness/Noncompliance

Ohio Revised Code Section 5705.36, in part, requires Fiscal Officers to certify to the County Auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

During the year and at the years ended December 31, 2015 and December 31, 2014, the Village did not request enough amended certificates throughout the year upon notice of increased or decreased resources.

The Village is not properly certifying its most current estimated resources to the appropriate authorities and thus causing appropriations to exceed estimated resources.

We recommend that the Village certify its available sources at year end and file amended certificates as necessary throughout the year. This will facilitate the Village's appropriation process.

Client Response: The Village is attempting to monitor the budget more closely.

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2015-007

Material Weakness/Noncompliance

Ohio Revised Code Section 5705.36 (A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

At December 31, 2015 and 2014, the Village had appropriations that were greater than actual resources in the following funds:

<u>Fund Type/Fund</u>	<u>Actual Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>2015</u>			
General Fund	\$ 2,436,401	\$ 2,575,048	\$ 138,647
<u>Capital Projects Fund:</u>			
Capital Improvement Fund	594,977	640,000	45,023
<u>Special Revenue Fund:</u>			
Demolition Fund	11,842	25,000	13,158
<u>Enterprise Funds:</u>			
Water Works System Fund	977,359	984,794	7,435
Carbon Filters Storm Water Fund	22,466	1,250,000	1,227,534
 <u>2014</u>			
<u>Special Revenue Funds:</u>			
Recreation Fund	100,002	107,764	7,762
Community Center Fund	48,401	49,749	1,348
Demolition Fund	3,125	30,000	26,875
<u>Enterprise Funds:</u>			
Water Works System Fund	813,948	987,478	173,530
Carbon Filters Storm Water Fund	113,466	2,718,682	2,605,216

By appropriating more funds than actual resources, the Village is at risk of spending more money than available; this may result in negative fund balances.

We recommend the Village monitor appropriations in comparison to actual resources and obtain decreased amended appropriations as needed. Further guidance may be found in Auditor of State bulletin 97-010.

Client Response: The Village will monitor appropriations and amend when necessary.

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2015-008

Material Weakness/Noncompliance

Ohio Rev. Code Section 5705.42 requires in part, when the state or any department, division, agency authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid to paying the cost of any program, activity, or function of such subdivision, the amount is deemed appropriated and shall be recorded by the subdivision.

In 2015 and 2014, the Ohio Public Works Commission (OPWC) expended funds for various projects on behalf of the Village. Under the terms of these agreements, OPWC made payments directly to the vendor/contractor(s) on the Village's behalf. In 2015 and 2014, \$287,017 and \$1,278,677, respectfully, of OPWC on-behalf monies were paid to various vendors in relation to the on-going OPWC projects. These payments were not recorded in the Village's accounting records, thus understating the WWTP Phosphorus Reimbursement Fund's intergovernmental receipts and contractual services by \$287,017 in 2015 and the sale of notes and contractual services by \$1,278,677 in 2014.

In addition, in 2015 and 2014, the Ohio Water Development Authority (OWDA) expended funds for various projects on behalf of the Village. Under the terms of these agreements, OWDA made payments directly to the vendor/contractor(s) on the Village's behalf. In 2015 and 2014, \$704,569 and \$2,249,539, respectfully, of OWDA on-behalf monies were paid to various vendors in relation to the on-going OWDA projects. These payments were not recorded in the Village's accounting records, thus understating the WWTP Phosphorus Reimbursement Fund's sale of notes and contractual services by \$704,569 and \$2,249,539 in 2015 and 2014, respectfully.

Any payment made on behalf of the Village by another party should be recorded by the Village as a receipt and disbursement. Failure to do so results in an understatement of receipts and disbursements. Additionally, pursuant to Ohio Rev. Code Section 5705.42, the Village should record the appropriations in their accounting records and should request an amended certificate of estimated resources to reflect the additional receipts.

We recommend the Village closely monitor sources aiding in paying the costs of the Village. Additionally, we recommend the Village budget for all anticipated revenues and expenditures from these sources.

Client Response: The Village will monitor reports from these sources and amend appropriations and estimate resources when necessary.

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2013-VOS-001	<u>Material Weakness - Financial Reporting</u> – The Village had identified misstatements in the 2013 and 2012 financial statements that were not initially identified by the Village’s internal control.	No	Repeated as finding 2015-001
2013-VOS-002	<u>Material Weakness/Noncompliance</u> - Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the Fiscal Officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. The Village had 85% and 87% of expenditures not timely certified for 2013 and 2012, respectively.	No	Repeated as finding 2015-002
2013-VOS-003	Ohio Revised Code Section 5705.41(B) provides that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated. In 2013, the Village had expenditures exceeding appropriations in the General Fund.	No	Repeated as finding 2015-003
2013-VOS-004	Ohio Revised Code Section 5705.40 requires that any appropriation measure may be amended and supplemented if the entity complies with the same laws used in the original appropriation. Expenditures exceeded appropriations during 2013 due to not timely or properly modifying appropriations throughout the year.	No	Repeated as finding 2015-004

**VILLAGE OF SEBRING
MAHONING COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <u>Explain:</u>
2013-VOS-005	Ohio Revised Code Section 5705.39 in part requires that total appropriations from each fund should not exceed total estimated resources. For 2012 the Village had appropriations in excess of estimated resources in certain funds.	No	Repeated as finding 2015-005
2013-VOS-006	Ohio Revised Code Section 5705.36 in part requires Fiscal Officers to certify to the County Auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the year of the preceding year. For 2012 the Village did not request enough amended certificates.	No	Repeated as finding 2015-006
2013-VOS-007	Ohio Revised Code Section 5705.36(A)(4) determines that no revenues collected by a subdivision will be less than the amount included in the official certificate and that the amount of deficiency will reduce available resources. During 2012, the Village had appropriations that were greater than actual resources.	No	Repeated as finding 2015-007

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF SEBRING

MAHONING 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
JANUARY 22, 2019**