



**Auditor of State  
Betty Montgomery**



VILLAGE OF SABINA  
CLINTON COUNTY

TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types - For the Year Ended December 31, 2002.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Enterprise and Agency Funds - For the Year Ended December 31, 2002.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2001.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Enterprise and Agency Funds - For the Year Ended December 31, 2001.....	6
Notes to the Financial Statements.....	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	19

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Sabina  
Clinton County  
99 North Howard Street  
Sabina, Ohio 45169

To the Village Council:

We have audited the accompanying financial statements of the Village of Sabina, Clinton County, Ohio, (the Village), as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, Village Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

April 17, 2003

**VILLAGE OF SABINA  
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$65,477	\$0	\$0	\$20,632	\$86,109
Municipal Income Taxes	355,969	0	0	0	355,969
Intergovernmental Receipts	105,636	116,076	341,972	2,193	565,877
Charges for Services	21,521	0	0	0	21,521
Fines, Licenses, and Permits	22,719	2,000	0	0	24,719
Earnings on Investments	14,725	755	0	16	15,496
Miscellaneous	30,058	3,077	0	4,428	37,563
<b>Total Cash Receipts</b>	<b>616,105</b>	<b>121,908</b>	<b>341,972</b>	<b>27,269</b>	<b>1,107,254</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	279,610	10,177		32,897	322,684
Public Health Services	626	0	0	0	626
Transportation		65,625			65,625
General Government	162,815			1,059	163,874
Capital Outlay	31,191	69,569	341,972		442,732
<b>Total Cash Disbursements</b>	<b>474,242</b>	<b>145,371</b>	<b>341,972</b>	<b>33,956</b>	<b>995,541</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>141,863</b>	<b>(23,463)</b>	<b>0</b>	<b>(6,687)</b>	<b>111,713</b>
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In	0	27,000	0	9,000	36,000
Transfers-Out	(36,000)	0	0	0	(36,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(36,000)</b>	<b>27,000</b>	<b>0</b>	<b>9,000</b>	<b>0</b>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	105,863	3,537	0	2,313	111,713
Fund Cash Balances, January 1	108,783	52,073	0	3,925	164,781
<b>Fund Cash Balances, December 31</b>	<b>\$214,646</b>	<b>\$55,610</b>	<b>\$0</b>	<b>\$6,238</b>	<b>\$276,494</b>
Reserves for Encumbrances, December 31	\$76	\$1,017	\$0	\$0	\$1,093

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

**VILLAGE OF SABINA  
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ENTERPRISE AND AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$541,607	\$0	\$541,607
Miscellaneous	6,128	0	6,128
Total Operating Cash Receipts	<u>547,735</u>	<u>0</u>	<u>547,735</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	136,800	0	136,800
Contractual Services	122,020	0	122,020
Supplies and Materials	31,388	0	31,388
Capital Outlay	106,042	0	106,042
Total Operating Cash Disbursements	<u>396,250</u>	<u>0</u>	<u>396,250</u>
Operating Income	<u>151,485</u>	<u>0</u>	<u>151,485</u>
<b>Non-Operating Cash Receipts:</b>			
Property Tax and Other Local Taxes	27,293	0	27,293
Intergovernmental Receipts	146	0	146
Other Non-Operating Receipts	0	28,746	28,746
Proceeds of Loans	5,000	0	5,000
Total Non-Operating Cash Receipts	<u>32,439</u>	<u>28,746</u>	<u>61,185</u>
<b>Non-Operating Cash Disbursements:</b>			
Other Non-Operating Disbursements	0	28,824	28,824
Debt Service	143,967	0	143,967
Total Non-Operating Cash Disbursements	<u>143,967</u>	<u>28,824</u>	<u>172,791</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	39,957	(78)	39,879
Transfers-In	143,967	0	143,967
Transfers-Out	<u>(143,967)</u>	<u>0</u>	<u>(143,967)</u>
Net Receipts Over/(Under) Disbursements	39,957	(78)	39,879
Fund Cash Balances, January 1	<u>858,617</u>	<u>26,831</u>	<u>885,448</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$898,574</u></u></b>	<b><u><u>\$26,753</u></u></b>	<b><u><u>\$925,327</u></u></b>
Reserve for Encumbrances, December 31	<u>\$804</u>	<u>\$0</u>	<u>\$804</u>

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



**VILLAGE OF SABINA  
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$133,726	\$0	\$0	\$21,104	\$154,830
Municipal Income Taxes	81,617	0	0	0	81,617
Intergovernmental Receipts	125,030	128,609	221,994	2,196	477,829
Charges for Services	18,066	0	0	0	18,066
Fines, Licenses, and Permits	30,999	2,762	0	0	33,761
Earnings on Investments	30,961	1,784	0	43	32,788
Miscellaneous	52,561	12	0	25	52,598
<b>Total Cash Receipts</b>	<b>472,960</b>	<b>133,167</b>	<b>221,994</b>	<b>23,368</b>	<b>851,489</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	258,401	25,423	0	28,256	312,080
Public Health Services	632	0	0	0	632
Transportation	0	75,631	0	0	75,631
General Government	135,389	0	0	2,410	137,799
Capital Outlay	31,513	41,932	221,994	0	295,439
<b>Total Cash Disbursements</b>	<b>425,935</b>	<b>142,986</b>	<b>221,994</b>	<b>30,666</b>	<b>821,581</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>47,025</b>	<b>(9,819)</b>	<b>0</b>	<b>(7,298)</b>	<b>29,908</b>
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In	0	0	0	7,000	7,000
Transfers-Out	(7,000)	0	0	0	(7,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(7,000)</b>	<b>0</b>	<b>0</b>	<b>7,000</b>	<b>0</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>40,025</b>	<b>(9,819)</b>	<b>0</b>	<b>(298)</b>	<b>29,908</b>
Fund Cash Balances, January 1	68,758	61,892	0	4,223	134,873
<b>Fund Cash Balances, December 31</b>	<b>\$108,783</b>	<b>\$52,073</b>	<b>\$0</b>	<b>\$3,925</b>	<b>\$164,781</b>
Reserves for Encumbrances, December 31	\$46	\$593	\$0	\$0	\$639

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

**VILLAGE OF SABINA  
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ENTERPRISE AND AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$555,972	\$0	\$555,972
Miscellaneous	3,469	0	3,469
Total Operating Cash Receipts	<u>559,441</u>	<u>0</u>	<u>559,441</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	121,445	0	121,445
Contractual Services	156,398	0	156,398
Supplies and Materials	38,359	0	38,359
Capital Outlay	35,516	0	35,516
Total Operating Cash Disbursements	<u>351,718</u>	<u>0</u>	<u>351,718</u>
Operating Income	<u>207,723</u>	<u>0</u>	<u>207,723</u>
<b>Non-Operating Cash Receipts:</b>			
Property Tax and Other Local Taxes	15,023	0	15,023
Proceeds of Loans	20,000	0	20,000
Other Non-Operating Receipts	0	46,900	46,900
Total Non-Operating Cash Receipts	<u>35,023</u>	<u>46,900</u>	<u>81,923</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	120,565	0	120,565
Other Non-Operating Cash Disbursements	0	46,439	46,439
Total Non-Operating Cash Disbursements	<u>120,565</u>	<u>46,439</u>	<u>167,004</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	122,181	461	122,642
Transfers-In	120,565	26,370	146,935
Transfers-Out	<u>(146,935)</u>		<u>(146,935)</u>
Net Receipts Over Disbursements	95,811	26,831	122,642
Fund Cash Balances, January 1	<u>762,806</u>	<u>0</u>	<u>762,806</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$858,617</u></b>	<b><u>\$26,831</u></b>	<b><u>\$885,448</u></b>
Reserve for Encumbrances, December 31	<u>\$48,471</u>	<u>\$0</u>	<u>\$48,471</u>

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

**VILLAGE OF SABINA  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit, and repurchase agreements are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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 SABINA  
CLINTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)

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

State Highway Fund

This fund receives gasoline tax and motor vehicle tax money for maintaining and repairing Village highways.

Cops Grant Fund

This fund receives federal grant monies for the hiring of police officers.

3. **Capital Project Fund**

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise funds). The Village had the following capital project fund:

Ohio Pubic Works Commission Fund

This fund receives state grant money to assist in the Jackson Street Project.

4. **Enterprise Funds**

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

Water Fund

This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund

This fund receives charges for services from residents to cover the cost of providing this utility.

Water Mortgage Debt Service Fund

This fund is used to pay debt associated with the Water Plant.

Sewer Mortgage Debt Service Fund

This fund is used to pay debt associated with the Sewer Plant.

5. **Fiduciary Funds (Trust and Agency Funds)**

Trust funds are used to account for resources restricted by legally binding trust agreements. The Village trust fund is classified as nonexpendable because the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

**VILLAGE OF SABINA  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

Police Disability Pension Fund

This Expendable Trust Fund receives money from a tax levy to pay police pension and disability

Mayor's Court Fund

This Agency Fund receives fines and forfeitures for violations of ordinances 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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. However, there were no material unrecorded outstanding encumbrances at December 31, 2002 and 2001.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF SABINA  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

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

	2002	2001
Demand deposits	\$12,666	\$20,286
Cash on hand	\$225	\$225
Certificates of deposit	195,000	195,000
Total deposits	207,891	215,511
Repurchase agreement	993,930	834,718
Total investments	993,930	834,718
Total deposits and investments	\$1,201,821	\$1,050,229

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

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$428,593	\$616,105	\$187,512
Special Revenue	144,136	148,908	4,772
Capital Projects	385,220	341,972	(43,248)
Enterprise	746,697	724,141	(22,556)
Fiduciary	33,313	36,269	2,956
Total	\$1,737,959	\$1,867,395	\$129,436

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$522,376	\$510,318	\$12,058
Special Revenue	168,609	146,388	22,221
Capital Projects	363,000	341,972	21,028
Enterprise	1,285,527	684,988	600,539
Fiduciary	36,511	33,956	2,555
Total	\$2,376,023	\$1,717,622	\$658,401

**VILLAGE OF SABINA  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$412,537	\$472,960	\$60,423
Special Revenue	139,017	133,167	(5,850)
Capital Projects	279,600	221,994	(57,606)
Enterprise	657,765	715,029	57,264
Fiduciary	28,820	30,368	1,548
Total	\$1,517,739	\$1,573,518	\$55,779

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$463,138	\$432,981	\$30,157
Special Revenue	200,910	143,579	57,331
Capital Projects	279,600	221,994	57,606
Enterprise	1,276,924	667,689	609,235
Fiduciary	33,043	30,666	2,377
Total	\$2,253,615	\$1,496,909	\$756,706

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

**VILLAGE OF SABINA  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**6. DEBT**

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
1991 Ohio Water Development Authority	\$714,246	5.00%
2001-2002 Ohio Water Development Authority	25,000	0 - 2%
2002 Police Cruiser Lease	<u>18,704</u>	
Total	<u><u>\$757,950</u></u>	

The 1991 Ohio Water Development Authority (OWDA) loan relates to a sewer plant expansion project. The loan will be repaid in semiannual installments of \$90717, including interest, over 25 years.

The 2001 Ohio Water Development Authority (OWDA) loan relates to the preliminary engineering for a water/wastewater treatment system. The amortization schedule has not yet been established.

The Lease agreement is a 36 month term for a new police cruiser.

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

	<u>OWDA Loans</u>	<u>Police Cruiser</u>
Year ending December 31:		
2003	\$90,717	\$9,177
2004	90,717	9,177
2005	90,717	1,530
2006	90,717	
2007	90,717	
Subsequent	725,736	
Total	<u><u>\$1,179,321</u></u>	<u><u>\$19,884</u></u>

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Village has paid all contributions required through December 31, 2002.



**VILLAGE OF SABINA  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**8. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

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

The Village provides health insurance to its employees.

**This page intentionally left blank.**



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Sabina  
Clinton County  
99 North Howard Street  
Sabina, Ohio 45169

To the Village Council:

We have audited the accompanying financial statements of the Village of Sabina, Clinton County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated April 17, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2002-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated April 17, 2003.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2002-002. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe the reportable condition described above to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated April 17, 2003.

250 W. Court St. / Suite 150 E / Cincinnati, OH 45202  
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Village of Sabina  
Clinton County  
Independent Accountants' Report on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of the audit committee, management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

April 17, 2003

VILLAGE OF SABINA  
CLINTON COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001

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

FINDING NUMBER 2002-001

**Noncompliance Citation/Reportable Condition**

Sabina Village Ordinance 1999-16, established the sewer rates for all users. The ordinance established the year 2001 sewer rates as follows: All minimum charges for a month shall be based on 1000 gallons of water per month and the charge for a minimum shall be \$9.68. In addition to the minimum, the user charge shall be \$2.41 per 1000 gallons of water used. For January and February of 2001, the Village failed to change the formula in the Utility Department's computer system and continued to charge and collect the year 2000 approved rates. The year 2000 sewer rates are as follows: All minimum charges for a month shall be based on 1000 gallons of water per month and the charge for a minimum shall be \$8.80. In addition to the minimum, the user charge shall be \$2.20 per 1000 gallons of water used. The Village corrected the formula in March, 2001 to agree to the approved ordinance and charged and collected the approved rate for the remainder of 2001. Although not exactly determinable, we estimate that the effect would have been to increase charges for services in the sewer fund by approximately \$4,000 to \$5,000 in 2001, had the proper rates been charged during January and February.

Sabina Village Ordinance 2001-9 established water rates for use outside the Village and sewer rates and set new rates for all users. The ordinance established the 2002 sewer rates as follows: All minimum charges for a month shall be based on a 1000 gallons of water per month and the charge for a minimum shall be \$10.45 for inside the Village and \$15.68 for outside the Village. In addition to the minimum, the user charge shall be \$2.60 for inside the Village and \$3.90 for outside the Village per 1000 gallons of water used. The Village failed to change the formula in the Utility's computer system and continued to charge and collect the 2001 approved rates for all of the year 2002. Although not exactly determinable, we estimate that the effect would have been to increase charges for services in the water fund by approximately \$30,000 in 2002, had the proper rates been charged.

The Village failed to correctly implement their approved ordinances concerning sewer rates resulting in the under-billing of sewer rates to their utility customers. While under audit, the Village passed a resolution to excuse the residents, businesses and the Utility Clerk for the failure to bill and pay the proper fee per their ordinances for January and February of 2001 and for all of 2002.

FINDING NUMBER 2002-002

**Material Weakness**

The Utility Clerk and Village council should periodically review utility accounts to assure that proper rates are being charged. Periodically recalculating utility fees to customers' usage amounts would help determine if errors or improper fees were being assessed. The Village's sewer rates were not properly input into the Utility Department's computer system for January and February of 2001 and for the entire year of 2002. The rates charged and collected were less than what was approved by the Village's ordinances. The Village's Utility Clerk corrected the sewer rates while under audit to properly charge new billings to agree to the rates as approved in the Village's ordinance.

Additionally, there were no guidelines used by the Village to determine residential and commercial water rates. This resulted in inconsistencies in the classifications used for local businesses and in the amounts charged for water based on varying meter sizes.

We recommend that the Village implement policies and procedures to ensure that the Utility Department is charging the rates approved by Village council. The Village should also develop specific guidelines to properly classify customers as commercial or residential and charge the appropriate rates.

**This page intentionally left blank.**

VILLAGE OF SABINA  
CLINTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2002 AND 2001

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain:</b></i>
2000-30414-001	The Village did not retain utility records for January through July, 1999.	Yes	







**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**VILLAGE OF SABINA**

**CLINTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 29, 2003**