



OHIO AUDITOR OF STATE  
**KEITH FABER**





VILLAGE OF SEBRING  
MAHONING COUNTY

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Village of Sebring  
Mahoning County  
135 E. Ohio Avenue  
Sebring, Ohio 44672

To the Members 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 noted of the Village of Sebring, Mahoning County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village, as of December 31, 2019 and 2018, and the respective changes in financial position 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 cash balances, receipts and disbursements by fund type, and related notes of the Village, as of December 31, 2019 and 2018, 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.

***Emphasis of Matter***

As discussed in Note 15 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2021, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

February 25, 2021

**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, 2019

	General	Special Revenue	Capital Projects	Total Governmental Funds
<b>Cash receipts:</b>				
Property and other local taxes . . . . .	\$ 120,333	\$ 200,418	\$ -	\$ 320,751
Municipal income taxes . . . . .	1,389,530	148,378	292,935	1,830,843
Intergovernmental . . . . .	75,148	310,566	-	385,714
Charges for services . . . . .	109,027	160,550	-	269,577
Fines, licenses and permits . . . . .	87,749	-	-	87,749
Investment earnings . . . . .	8,967	-	-	8,967
Contributions and donations . . . . .	14,570	6,447	-	21,017
Miscellaneous . . . . .	45,693	3,474	5,161	54,328
Total cash receipts . . . . .	<u>1,851,017</u>	<u>829,833</u>	<u>298,096</u>	<u>2,978,946</u>
<b>Cash disbursements:</b>				
Current:				
General government . . . . .	613,382	67,817	2,822	684,021
Security of persons and property . . . . .	910,142	200,801	-	1,110,943
Public health and welfare . . . . .	13,424	-	-	13,424
Leisure time activities . . . . .	-	184,018	-	184,018
Transportation . . . . .	-	308,691	11,200	319,891
Debt service:				
Principal retirement . . . . .	103,724	-	-	103,724
Interest and fiscal charges . . . . .	18,016	-	-	18,016
Total cash disbursements . . . . .	<u>1,658,688</u>	<u>761,327</u>	<u>14,022</u>	<u>2,434,037</u>
Excess of receipts over disbursements . . . . .	<u>192,329</u>	<u>68,506</u>	<u>284,074</u>	<u>544,909</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	10,347	-	10,347
Transfers (out) . . . . .	(27,065)	-	-	(27,065)
Other financing sources . . . . .	4,800	-	-	4,800
Other financing (uses) . . . . .	(4,136)	-	-	(4,136)
Total other financing sources (uses) . . . . .	<u>(26,401)</u>	<u>10,347</u>	<u>-</u>	<u>(16,054)</u>
Net change in fund balances . . . . .	165,928	78,853	284,074	528,855
<b>Fund cash balances, January 1 . . . . .</b>	<u>509,184</u>	<u>486,432</u>	<u>425,710</u>	<u>1,421,326</u>
<b>Fund cash balances, December 31</b>				
Restricted . . . . .	-	422,850	-	422,850
Committed . . . . .	-	201,155	709,784	910,939
Assigned . . . . .	28,876	-	-	28,876
Unassigned . . . . .	646,236	(58,720)	-	587,516
<b>Fund cash balances, December 31 . . . . .</b>	<u>\$ 675,112</u>	<u>\$ 565,285</u>	<u>\$ 709,784</u>	<u>\$ 1,950,181</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**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, 2019

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
<b>Operating receipts:</b>			
Charges for services . . . . .	\$ 1,679,511	\$ -	\$ 1,679,511
Total operating receipts . . . . .	<u>1,679,511</u>	<u>-</u>	<u>1,679,511</u>
<b>Operating disbursements:</b>			
Personal services . . . . .	511,095	-	511,095
Fringe benefits. . . . .	280,898	-	280,898
Contractual services. . . . .	448,892	-	448,892
Materials and supplies. . . . .	251,801	-	251,801
Other . . . . .	622	-	622
Total operating disbursements. . . . .	<u>1,493,308</u>	<u>-</u>	<u>1,493,308</u>
Operating income . . . . .	<u>186,203</u>	<u>-</u>	<u>186,203</u>
<b>Nonoperating receipts (disbursements):</b>			
Principal retirement . . . . .	(559,929)	-	(559,929)
Interest and fiscal charges . . . . .	(84,520)	-	(84,520)
Capital outlay . . . . .	(25,399)	-	(25,399)
Total nonoperating receipts (disbursements) . . . . .	<u>(669,848)</u>	<u>-</u>	<u>(669,848)</u>
Loss before transfers . . . . .	(483,645)	-	(483,645)
Transfers in . . . . .	37,922	-	37,922
Transfers out. . . . .	(21,204)	-	(21,204)
Net change in fund cash balances . . . . .	(466,927)	-	(466,927)
<b>Fund cash balances, January 1 . . . . .</b>	<u>527,407</u>	<u>9,508</u>	<u>536,915</u>
<b>Fund cash balances, December 31. . . . .</b>	<u>\$ 60,480</u>	<u>\$ 9,508</u>	<u>\$ 69,988</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**VILLAGE OF SEBRING  
MAHONING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**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.

The Village’s investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

**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 Funds:

Street 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, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

EMS Fund - The Village provides ambulatory services to the community and surrounding areas for a fee. Payments received from providing these services are receipted into the EMS Fund. EMS Fund revenues are used to pay for wages, benefits, and training for EMS workers, as well as contracted billing services, and necessary supplies, equipment, and maintenance.

**3. Capital Projects 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 Capital Projects 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 Fund - This fund receives charges for services from residents to cover water service costs.

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

**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. Unencumbered appropriations lapse at year end.

**VILLAGE OF SEBRING  
MAHONING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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.

A summary of 2019 budgetary activity appears in Note 4.

**F. Fund Balance**

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

**1. Nonspendable**

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

**2. Restricted**

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

**3. Committed**

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

**4. Assigned**

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

**5. Unassigned**

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

**VILLAGE OF SEBRING  
MAHONING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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:

	2019
Demand deposits	\$ 411,536
Investments: STAR Ohio	1,608,633
Total deposits and investments	\$ 2,020,169

Deposits are insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**NOTE 3. COMPLIANCE**

Contrary to Ohio law, the following funds had a cash deficit balance at December 31, 2019:

Fund	Deficit
Civic Center	\$ 58,720
Waterworks System	709,510

Also contrary to Ohio law, budgetary expenditures exceeded appropriation authority at December 31, 2019, and appropriations exceeded estimated resources.

**VILLAGE OF SEBRING  
MAHONING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 4. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$1,855,817	\$1,855,817
Special Revenue	0	840,180	840,180
Capital Projects	0	298,096	298,096
Enterprise	0	1,717,433	1,717,433
Total	\$0	\$4,711,526	\$4,711,526

2019 Budgeted vs. Actual Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,077,337	\$1,718,602	\$358,735
Special Revenue	706,644	791,430	(84,786)
Capital Projects	0	14,022	(14,022)
Enterprise	2,063,909	2,302,612	(238,703)
Total	\$4,847,890	\$4,826,666	\$21,224

**NOTE 5. 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 6. 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.

**VILLAGE OF SEBRING  
MAHONING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 7. DEBT**

Debt outstanding at December 31, 2019 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission (OPWC) - Note #1 for the Carbon Filtration System due in semiannual installments of \$ 39,448, through 2035.	\$ 1,183,440	0.00%
Ohio Public Works Commission (OPWC) - Note #2 for the Carbon Filtration System due in semiannual installments of \$ 5,755, through 2035.	\$ 172,645	0.00%
Ohio Public Works Commission (OPWC) - Note for the Downtown Revitalization project due in semiannual installments of \$ 9,362, through 2026.	\$ 121,706	0.00%
Ohio Water Development Authority (OWDA) - Waste Water Treatment Plant Phase II note for the improvements to the sewer treatment plant due in semiannual installments of varying amounts, through 2024.	\$ 213,302	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.	\$ 758,022	1.00%
Ohio Water Development Authority (OWDA) - Note for Waste Water Treatment Plant Improvements, not complete as of December 31, 2019.	\$ 2,240,384	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.	\$ 576,000	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.	\$ 210,000	5.38%
Farmers National Bank - Real Estate Acquisition and Improvement Note, Series 2018.	\$ 75,000	4.31%
Ohio Water Development Authority (OWDA) -Note for Phase 1 of Waterline Replacement, payable in semiannual installments of \$6,598 through 2036.	\$ 176,556	2.57%
Ohio Water Development Authority (OWDA) -Note for Water Plant Filter and Waste System Improvements, not complete as of December 31, 2019.	\$ 773,742	0.00%

**VILLAGE OF SEBRING  
MAHONING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 7. DEBT (Continued)**

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

Year ending December 31:	OPWC Note #1 Carbon Filtration System		OPWC Note #2 Carbon Filtration System		OPWC Downtown Revitalization	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 78,896	\$ -	\$ 11,509	\$ -	\$ 18,724	\$ -
2021	78,896	-	11,509	-	18,724	-
2022	78,896	-	11,509	-	18,724	-
2023	78,896	-	11,509	-	18,724	-
2024	78,896	-	11,509	-	18,724	-
2025-2029	394,480	-	57,550	-	28,086	-
2030-2034	394,480	-	57,550	-	-	-
Total	<u>\$ 1,183,440</u>	<u>\$ -</u>	<u>\$ 172,645</u>	<u>\$ -</u>	<u>121,706</u>	<u>\$ -</u>

  

	OWDA Headworks Bypass and Sewer Rehabilitation		Waterworks System		Streetscape Improvement Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 68,820	\$ 7,408	\$ 185,000	\$ 28,800	\$ 60,000	\$ 10,491
2021	69,510	6,719	191,000	19,550	60,000	7,263
2022	70,207	6,021	200,000	10,000	60,000	4,035
2023	70,911	5,318	-	-	30,000	807
2024	71,622	5,507	-	-	-	-
2025-2029	369,027	12,121	-	-	-	-
2030-2034	37,925	190	-	-	-	-
Total	<u>\$ 758,022</u>	<u>\$ 43,284</u>	<u>\$ 576,000</u>	<u>\$ 58,350</u>	<u>\$ 210,000</u>	<u>\$22,596</u>

  

Year ending December 31:	Series 2018 Real Estate Acquisition Note		WWTP Phase II		OWDA Waterline Replacement Phase I	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 75,000	\$ 3,233	\$ 43,515	\$ 8,102	\$ 8,715	\$ 4,482
2021	-	-	45,646	6,341	8,940	4,257
2022	-	-	47,883	4,493	9,171	4,026
2023	-	-	50,228	2,554	9,409	3,788
2024	-	-	26,030	521	9,652	3,545
2025-2029	-	-	-	-	52,136	13,847
2030-2034	-	-	-	-	59,236	6,747
2035-2036	-	-	-	-	19,297	498
Total	<u>\$ 75,000</u>	<u>\$ 3,233</u>	<u>\$ 213,302</u>	<u>\$ 22,011</u>	<u>\$ 176,556</u>	<u>\$ 41,190</u>

The OWDA Loans for the Waste Water Treatment Plant Improvements and the Water Plant Filter and Waste System Improvements have not been completely disbursed and thus there are no amortization schedules available.

The Village has entered into two lease-purchase obligations to acquire an ambulance and a backhoe. The ambulance lease payments are made annually on February 1 while the backhoe lease payments are made monthly. The final payment for the ambulance is due on February 1, 2022, and the final backhoe payment is due on October 8, 2021. Payments of principal and interest are made from the Fire Levy, Street Maintenance and Repair, Waterworks System, and Sewer funds.

**VILLAGE OF SEBRING  
MAHONING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 7. DEBT (Continued)**

The following is a schedule of the future minimum payments required under the leases and the present value of the payments as of December 31, 2019:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 49,952
2021	47,364
2022	<u>34,424</u>
Total minimum lease payments	131,740
Less: amount representing interest	<u>(8,143)</u>
Total	<u>\$ 123,597</u>

Under the cash basis of accounting, debt obligations at year end are not reported on the financial statements.

**NOTE 8. DEBT COVENANT**

The Village's Water Works System revenue bond debt covenant requires the Village to maintain a Water Works System 1<sup>st</sup> 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 1/12<sup>th</sup> 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, 2019 was \$192,603. For the year ended December 31, 2019, the required funds existed and were properly funded.

**NOTE 9. DEFINED BENEFIT PENSION PLANS**

The Village's certified Fire Fighters and 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 postemployment healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For year ended December 31, 2019, OP&F members were required to contribute 12.25% of their annual wages. For 2019, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2019, 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, 2019.



**VILLAGE OF SEBRING  
MAHONING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 10. RISK MANAGEMENT**

**A. Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

**B. Medical**

For 2019, 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 not involved in litigation that, in the opinion of management, is expected to have a material adverse effect on the Village's financial condition.

**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. OTHER SOURCES**

For the years ended December 31, 2019, general other sources consisted of revolving loan repayments of principal and interest.

**NOTE 13. POSTEMPLOYMENT BENEFITS**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

**VILLAGE OF SEBRING  
MAHONING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 14. INTERFUND TRANSFERS**

In 2019, the Village made the following interfund transfers:

<u>Transfer from:</u>	<u>Transfer to:</u>	<u>Amount</u>
General Fund	Special Revenue Funds	\$ 10,347
General Fund	Proprietary Funds	16,718
Proprietary Funds	Proprietary Funds	21,204

All transfers above were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**NOTE 15. SUBSEQUENT EVENTS**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The Village's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In 2020, the Village received \$207,741 in CARES Act funding which is used to defray costs incurred in connection with the pandemic. Other than this grant funding, the impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

**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, 2018

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Cash Receipts:</b>				
Property and other local taxes . . . . .	\$ 124,090	\$ 196,871	\$ -	\$ 320,961
Municipal income taxes . . . . .	1,116,866	125,740	236,687	1,479,293
Intergovernmental . . . . .	50,561	293,315	153,594	497,470
Charges for services . . . . .	86,454	143,043	-	229,497
Fines, licenses and permits . . . . .	96,887	-	-	96,887
Investment earnings . . . . .	457	-	-	457
Contributions and donations . . . . .	-	9,329	-	9,329
Miscellaneous . . . . .	71,659	38,616	3,836	114,111
Total cash receipts . . . . .	<u>1,546,974</u>	<u>806,914</u>	<u>394,117</u>	<u>2,748,005</u>
<b>Cash Disbursements:</b>				
Current:				
General government . . . . .	547,733	75,719	-	623,452
Security of persons and property . . . . .	961,853	262,685	-	1,224,538
Public health and welfare . . . . .	13,387	-	-	13,387
Leisure time activities . . . . .	-	157,793	-	157,793
Transportation . . . . .	-	218,003	114,584	332,587
Capital outlay . . . . .	-	-	114,163	114,163
Debt service:				
Principal retirement . . . . .	178,724	-	-	178,724
Interest and fiscal charges . . . . .	19,924	-	-	19,924
Total cash disbursements . . . . .	<u>1,721,621</u>	<u>714,200</u>	<u>228,747</u>	<u>2,664,568</u>
Excess (deficiency) of receipts over (under) disbursements . . . . .	<u>(174,647)</u>	<u>92,714</u>	<u>165,370</u>	<u>83,437</u>
<b>Other financing sources (uses):</b>				
Note issuance . . . . .	100,000	-	-	100,000
Transfers in . . . . .	-	195,780	-	195,780
Transfers (out) . . . . .	(143,423)	(148,979)	(664,997)	(957,399)
Other financing sources . . . . .	8,580	-	-	8,580
Other financing uses . . . . .	(58,986)	-	-	(58,986)
Total other financing sources (uses) . . . . .	<u>(93,829)</u>	<u>46,801</u>	<u>(664,997)</u>	<u>(712,025)</u>
Net change in fund balances . . . . .	(268,476)	139,515	(499,627)	(628,588)
<b>Fund cash balances, January 1 . . . . .</b>	<u>777,660</u>	<u>346,917</u>	<u>925,337</u>	<u>2,049,914</u>
<b>Fund cash balances, December 31</b>				
Restricted . . . . .	-	308,873	-	308,873
Committed . . . . .	-	201,200	425,710	626,910
Assigned . . . . .	2,396	-	-	2,396
Unassigned . . . . .	506,788	(23,641)	-	483,147
<b>Fund cash balances, December 31 . . . . .</b>	<u>\$ 509,184</u>	<u>\$ 486,432</u>	<u>\$ 425,710</u>	<u>\$ 1,421,326</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**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, 2018

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
<b>Operating receipts:</b>			
Charges for services . . . . .	\$ 1,771,256	\$ -	\$ 1,771,256
Other . . . . .	2,350	-	2,350
Total operating receipts . . . . .	<u>1,773,606</u>	<u>-</u>	<u>1,773,606</u>
<b>Operating disbursements:</b>			
Personal services . . . . .	486,931	-	486,931
Fringe benefits. . . . .	239,842	-	239,842
Contractual services. . . . .	420,215	-	420,215
Materials and supplies. . . . .	282,075	-	282,075
Other . . . . .	885	-	885
Total operating disbursements. . . . .	<u>1,429,948</u>	<u>-</u>	<u>1,429,948</u>
Operating income . . . . .	<u>343,658</u>	<u>-</u>	<u>343,658</u>
<b>Nonoperating receipts (disbursements):</b>			
Principal retirement . . . . .	(550,622)	-	(550,622)
Interest and fiscal charges . . . . .	(96,890)	-	(96,890)
Capital outlay . . . . .	(134,459)	-	(134,459)
Loan proceeds . . . . .	57,619	-	57,619
Total nonoperating receipts (disbursements) . . . . .	<u>(724,352)</u>	<u>-</u>	<u>(724,352)</u>
Loss before transfers. . . . .	(380,694)	-	(380,694)
Transfer in . . . . .	782,823	-	782,823
Transfer out . . . . .	(21,204)	-	(21,204)
Net change in fund cash balances. . . . .	380,925	-	380,925
<b>Fund cash balances, January 1. . . . .</b>	<u>146,482</u>	<u>9,508</u>	<u>155,990</u>
<b>Fund cash balances, December 31 . . . . .</b>	<u>\$ 527,407</u>	<u>\$ 9,508</u>	<u>\$ 536,915</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF SEBRING  
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**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 YEAR ENDED DECEMBER 31, 2018

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

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

Utility Improvement Fund - This fund receives loan proceeds from the Ohio Water Development Authority to finance a utility plant expansion. 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. Unencumbered appropriations lapse at year end.

**VILLAGE OF SEBRING  
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

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

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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.

A summary of 2018 budgetary activity appears in Note 4.

**F. Fund Balance**

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

**1. Nonspendable**

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

**2. Restricted**

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

**3. Committed**

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

**4. Assigned**

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

**5. Unassigned**

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

**VILLAGE OF SEBRING  
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

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

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:

	2018
Demand deposits	\$ 1,958,241

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

The Village's deposits are collateralized by the financial institution's public entity deposit pool. The financial institution is in the process of joining the Ohio Pooled Collateral System (OPCS); however, at December 31, 2018, the financial institution still maintained its own collateral pool.

**NOTE 3. COMPLIANCE**

Contrary to Ohio law, the following funds had a cash deficit balance at December 31, 2018:

Fund	Deficit
Civic Center	\$ 23,640
Waterworks System	215,104
WTP Carbon Filters	16,718

Also contrary to Ohio law, budgetary expenditures exceeded appropriation authority at December 31, 2018, and appropriations exceeded estimated resources.



**VILLAGE OF SEBRING  
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 4. BUDGETARY ACTIVITY**

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

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,739,052	\$1,655,554	(\$83,498)
Special Revenue	524,980	1,002,694	477,714
Capital Projects	409,062	394,117	(14,945)
Enterprise	3,462,938	2,614,048	(848,890)
Total	\$6,136,032	\$5,666,413	(\$469,619)

2018 Budgeted vs. Actual Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,121,921	\$1,926,263	\$195,658
Special Revenue	672,807	871,147	(198,340)
Capital Projects	281,000	893,744	(612,744)
Enterprise	1,979,455	2,288,241	(308,786)
Total	\$5,055,183	\$5,979,395	(\$924,212)

**NOTE 5. 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 6. 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.

**VILLAGE OF SEBRING  
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 7. DEBT**

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission (OPWC) - Note #1 for the Carbon Filtration System due in semiannual installments of \$ 39,448, through 2035.	\$ 1,262,336	0.00%
Ohio Public Works Commission (OPWC) - Note #2 for the Carbon Filtration System due in semiannual installments of \$ 5,755, through 2035.	\$ 184,154	0.00%
Ohio Public Works Commission (OPWC) - Note for the Downtown Revitalization project due in semiannual installments of \$ 9,362, through 2026.	\$ 140,430	0.00%
Ohio Water Development Authority (OWDA) - Waste Water Treatment Plant Phase II note for the improvements to the sewer treatment plant due in semiannual installments of varying amounts, through 2024.	\$ 254,784	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.	\$ 826,159	1.00%
Ohio Water Development Authority (OWDA) - Note for a Water Pollution Control Fund, not complete as of December 31, 2018.	\$ 2,092,708	1.00%
Ohio Water Development Authority (OWDA) - Note for a Water Pollution Control Fund, not complete as of December 31, 2018.	\$ 296,767	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.	\$ 749,000	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.	\$ 270,000	5.38%
Farmers National Bank - Real Estate Acquisition and Improvement Note, Series 2017.	\$ 100,000	2.99%
Ohio Water Development Authority (OWDA) -Note for Phase 1 of Waterline Replacement, not complete as of December 31, 2018.	\$ 185,051	2.57%
OWDA Loan - CryptoSporidium project/OWDA Loan-Water Plant Filter and Waste System Improvements Combined	\$ 803,059	0.00%

**VILLAGE OF SEBRING  
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 7. DEBT (Continued)**

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

Year ending December 31:	OPWC Note #1 Carbon Filtration System		OPWC Note #2 Carbon Filtration System		OPWC Downtown Revitalization	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 78,896	\$ -	\$ 11,509	\$ -	\$ 18,724	\$ -
2020	78,896	-	11,509	-	18,724	-
2021	78,896	-	11,509	-	18,724	-
2022	78,896	-	11,509	-	18,724	-
2023	78,896	-	11,509	-	18,724	-
2024-2028	394,480	-	57,550	-	46,810	-
2029-2033	394,480	-	57,550	-	-	-
2034-2035	78,896	-	11,509	-	-	-
Total	<u>\$ 1,262,336</u>	<u>\$ -</u>	<u>\$ 184,154</u>	<u>\$ -</u>	<u>140,430</u>	<u>\$ -</u>

  

	OWDA Headworks Bypass and Sewer Rehabilitation		Waterworks System		Streetscape Improvement Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 68,138	\$ 8,092	\$ 173,000	\$ 37,450	\$ 60,000	\$ 13,719
2020	68,820	7,408	185,000	28,800	60,000	10,491
2021	69,510	6,719	191,000	19,550	60,000	7,263
2022	70,207	6,021	200,000	10,000	60,000	4,035
2023	70,911	5,318	-	-	30,000	807
2024-2028	365,363	15,783	-	-	-	-
2029-2033	113,210	1,134	-	-	-	-
2034-2035	-	-	-	-	-	-
Total	<u>\$ 826,159</u>	<u>\$ 50,475</u>	<u>\$ 749,000</u>	<u>\$ 95,800</u>	<u>\$ 270,000</u>	<u>\$36,315</u>

  

Year ending December 31:	Series 2017 Real Estate Acquisition Note		WWTP Phase II		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 100,000	\$ 2,990	\$ 41,482	\$ 9,782	\$ 551,749	\$ 72,033
2020	-	-	43,515	8,102	466,464	54,801
2021	-	-	45,646	6,341	475,285	39,873
2022	-	-	47,883	4,493	487,219	24,549
2023	-	-	50,228	2,554	260,268	8,679
2024-2028	-	-	26,030	521	890,233	16,304
2029-2033	-	-	-	-	565,240	1,134
2034-2035	-	-	-	-	90,405	-
Total	<u>\$ 100,000</u>	<u>\$ 2,990</u>	<u>\$ 254,784</u>	<u>\$ 31,793</u>	<u>\$ 3,786,863</u>	<u>\$ 217,373</u>

The OWDA Loans for Water Pollution Control, Water Plant Filter and Waste System Improvements, and Waterline Replacement Phase 1 have not been completely disbursed and thus there are no amortization schedules available.

The Village has entered into two lease-purchase obligations to acquire an ambulance and a backhoe. The ambulance lease payments are made annually on February 1 while the backhoe lease payments are made monthly. The final payment for the ambulance is due on February 1, 2022, and the final backhoe payment is due on October 8, 2021. Payments of principal and interest are made from the Fire District fund.

**VILLAGE OF SEBRING  
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 7. DEBT (Continued)**

The following is a schedule of the future minimum payments required under the leases and the present value of the payments as of December 31, 2018:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 49,952
2020	49,952
2021	47,364
2022	<u>34,425</u>
Total minimum lease payments	181,693
Less: amount representing interest	<u>(20,198)</u>
Total	<u>\$ 161,495</u>

Under the cash basis of accounting, debt obligations at year end are not reported on the financial statements.

**NOTE 8. DEBT COVENANT**

The Village's Water Works System revenue bond debt covenant requires the Village to maintain a Water Works System 1<sup>st</sup> 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 1/12<sup>th</sup> 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, 2018 was \$171,399. For the year ended December 31, 2018, the required funds existed and were properly funded.

**NOTE 9. RETIREMENT SYSTEMS**

The Village's certified Fire Fighters and 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 postemployment healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For year ended December 31, 2018, OP&F members were required to contribute 12.25% of their annual wages. For 2018, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2018, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

**VILLAGE OF SEBRING  
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 10. RISK MANAGEMENT**

**A. Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

**B. Medical**

For 2018, 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. OTHER SOURCES**

For the years ended December 31, 2018, general other sources consisted of revolving loan repayments of principal and interest.

**NOTE 13. POST EMPLOYMENT BENEFITS**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

**NOTE 14. INTERFUND TRANSFERS**

In 2018, the Village made the following interfund transfers:

<u>Transfer from:</u>	<u>Transfer to:</u>	<u>Amount</u>
General Fund	Special Revenue Funds	\$ 46,801
General Fund	Proprietary Funds	96,622
Special Revenue Funds	Special Revenue Funds	148,979
Capital Projects Fund	Proprietary Funds	664,997
Proprietary Funds	Proprietary Funds	21,204

All transfers above were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

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# OHIO AUDITOR OF STATE KEITH FABER



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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 E. 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 Village of Sebring, Mahoning County, (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated February 25, 2021, wherein we issued an adverse opinion on the Village's financial statements because the Village did not follow accounting principles generally accepted in the United States of America as required by Ohio Administrative Code Section 117-2-03 and also noted the Village included a disclosure regarding the potential financial impact of COVID-19 and the ensuing emergency measures.

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

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2019-001 and 2019-007 through 2019-008 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2019-002 and 2019-003 described in the accompanying schedule of findings to be significant deficiencies.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. 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 as items 2019-001 through 2019-006.

***Village's Response to Findings***

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

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

February 25, 2021



VILLAGE OF SEBRING  
MAHONING COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2019

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

1. Transfers

FINDING NUMBER 2019-001

NONCOMPLIANCE AND MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C § 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C § 210 paragraphs .A14 & .A16.

Ohio Rev. Code § 5705.14 provides that no transfer can be made from one fund of a subdivision to any other fund, by order of the court or otherwise, with certain limited exceptions, as follows:

- The unexpended balance in a bond fund that is no longer needed for the purpose for which such fund was created shall be transferred to the sinking fund or bond retirement fund from which such bonds are payable;
- The unexpended balance in any specific permanent improvement fund, other than a bond fund, after the payment of all obligations incurred in the acquisition of such improvement, shall be transferred to the sinking fund or bond retirement fund of the subdivision; provided that if such money is not required to meet the obligations payable from such funds, it may be transferred to a special fund for the acquisition of permanent improvements, or, with the approval of the court of common pleas of the county in which such subdivision is located, to the general fund of the subdivision;
- The unexpended balance in the sinking fund or bond retirement fund of a subdivision, after all indebtedness, interest, and other obligations for the payment of which such fund exists have been paid and retired, shall be transferred, in the case of the sinking fund, to the bond retirement fund, and in the case of the bond retirement fund, to the sinking fund; provided that if such transfer is impossible by reason of the nonexistence of the fund to receive the transfer, such unexpended balance, with the approval of the court of common pleas of the county in which such division is located, may be transferred to any other fund of the subdivision;
- Money in a bond fund or bond retirement fund of a city, local, exempted village, cooperative education, or joint vocational school district may be transferred to a specific permanent improvement fund provided that the county budget commission of the county in which the school district is located approves the transfer upon its determination that the money transferred will not be required to meet the obligations payable from the bond fund or bond retirement fund. In arriving at such a determination, the county budget commission shall consider the balance of the bond fund or bond retirement fund, the outstanding obligations payable from the fund, and the sources and timing of the fund's revenue;
- The unexpended balance in any special fund, other than an improvement fund may be transferred to the general fund or to the sinking fund or bond retirement fund after the termination of the activity, service, or other undertaking for which such special fund existed, but only after the payment of all obligations incurred and payable from such special fund; and
- Money may be transferred from the general fund to any other fund of the subdivision.

**FINDING NUMBER 2019-001 (continued)**

Ohio Rev. Code § 5705.15 provides that in addition to the transfers authorized in section 5705.14 of the Revised Code, the taxing authority of any political subdivision may, in the manner provided in this section and section 5705.16 of the Revised Code, transfer from one fund to another any public funds under its supervision, except the proceeds or balances of loans, bond issues, special levies for the payment of loans or bond issues, the proceeds or balances of funds derived from any excise tax levied by law for a specified purpose, and the proceeds or balances of any license fees imposed by law for a specified purpose.

A resolution passed by a simple majority of the legislative authority is required to transfer moneys from the general fund to any other fund of the subdivision. 1989 Op. Att’y Gen. No. 89-075.

In 2018, Council approved, and the following transfers were made:

<b>Transfer Out Fund</b>		<b>Transfer In Fund</b>
Capital Improvements (401)	\$664,998	Waterworks System Fund (701)
Fire Levy Fund (301)	\$34,125	EMS Fund (714)
Motor Vehicle License Tax (206)	\$114,854	Special Project Grant (207)

While these transfers were not performed pursuant to Ohio Rev. Code §§ 5705.14 or 5705.15, the expenditures could have been made from the originating fund, and as such, no adjustments were proposed or made to the financial statements. The converter did show the transfer of \$34,125 from the Fire Levy Fund as a transfer to the Waterworks System Fund. The financial statements have been adjusted to reflect the transfer to the EMS Fund.

While the following transfer was approved by Council in 2018, it is not performed in accordance with Ohio Rev. Code §§ 5705.14 or 15:

<b>Transfer Out Fund</b>		<b>Transfer In Fund</b>
Capital Improvements (401)	\$165,552	General (100)

As such, an adjustment to the General Fund (100) and in favor of the Capital Improvements Fund (401) for \$165,552 was proposed. The financial statements reflect this adjustment.

The Village made the following transfers with no evidence of approval from Village Council:

<b>Transfer Out Fund</b>		<b>Transfer In Fund</b>
2018- General (100)	\$33,220	Civic Center (204)
2018- General (100)	\$7,657	Code Enforcement (130)
2018- General (100)	\$5,925	Pool (709)
2018- General (100)	\$96,621	Waterworks System (701)

While these transfers were not approved by council and so were not performed pursuant to Ohio Rev. Code §§ 5705.14 or 5705.15 , the expenditures could have been made from the originating fund, and as such, no adjustment was proposed or made to the financial statements.

**FINDING NUMBER 2019-001 (continued)**

Failure by the Village to follow proper transfer laws leads to illegal transfers.

The Village should establish procedures to ensure funds are transferred in accordance with Ohio Revised Code requirements.

**Official's Response:** All transfers are currently being made in accordance with Ohio Revised Code requirements. All transfers are properly authorized by Council and/or debt covenant.

2. **On-Behalf Activity**

**FINDING NUMBER 2019-002**

NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

Ohio Rev. Code § 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 in 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 addition, Auditor of State (AOS) Bulletin 2000-008 indicates when a local government enters into an on-behalf-of program agreement with another local government or the State, whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made.

In 2018 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 2018, \$57,619 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 Waterworks System Fund's loan proceeds and capital outlay by \$57,619.

In 2018 the Ohio Public Works Commission (OPWC) expended funds for the California Avenue Resurfacing project in the amount totaling \$114,163 on behalf of the Village. These payments were made directly to the vendor/contractor on the Village's behalf. This payment was not recorded in the Village's accounting records, thus understating Capital Project Fund's intergovernmental revenue and capital outlay by \$114,163.

Any payments 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 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.

See AOS Bulletin 2000-008 for further guidance on posting the on-behalf of activity.

**Official's Response:** To prevent this problem from occurring in the future, the Village has elected to have all OWDA distributions sent to the Village to be paid to the contractor, instead of having OWDA pay the contractor(s) directly. This will help to ensure all distributions are properly receipted and disbursed through the Village's accounting system. Similar procedures will also be applied to future OPWC distributions.

3. **Providing Monthly Financial Reports to the Village Council**

**FINDING NUMBER 2019-003**

NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

According to Ohio Administrative Code Section 117-2-01, all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories.

There is no evidence that financial reports, budgetary reports and/or bank reconciliations were provided to Village Council on a monthly basis for review and approval during calendar year 2018 and 2019 within the minutes.

Failure to review and approve financial information at Council meetings led to errors and/or irregularities occurring and not being detected in a timely manner due to the lack of monitoring. Additionally, failure to state what financial information is reviewed and/or approved by the Council could lead to inaccurate minute records and/or a lack of understanding regarding the Council's financial monitoring and decision-making procedures.

The Village should develop internal controls which will ensure that timely financial information is made available to allow key decision makers such as Council the ability to make fiscally responsible decisions. This information should be distributed, reviewed and approved at least monthly through the official minute's records. This information should include, but not be limited to revenue and expenditure reports, budgetary reports and bank reconciliations.

**Official's Response:** Council receives a Statement of Cash Position report at every regular meeting; however, this has not been noted in the Council minutes. A monthly Check Register report is provided to Council for their review and approval, which is documented in the minutes. Other reports are provided to Council periodically or on an as-needed basis, such as an updated annual Debt Schedule, levy information, and reports of revenue collections year-to-date, including any unusual fluctuations. The Monthly Reconciliation, as well as monthly Revenue and Expense Reports, will be added to the financial packet for Council, which will be documented in the Council minutes.

4. **Appropriations Exceeded Estimated Resources - 5705.39**

**FINDING NUMBER 2019-004**

NONCOMPLIANCE

**Ohio Rev. Code § 5705.39** provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as "estimated resources" because it includes unencumbered fund balances.

At December 31, 2018 the Village's appropriations exceeded the amount certified as available by the budget commission in the General and Waterworks System funds by \$375,869 and \$243,840, respectively. And at December 31, 2019 the General, Street Maintenance & Repair Fund, Waterworks System and Sewer funds by \$2,072,337, \$230,700, \$1,142,410 and \$884,483, respectively.

**FINDING NUMBER 2019-004 (continued)**

Failure to limit appropriations to the amount certified by the budget commission due to deficiencies in the Village's compliance monitoring policies and procedures could result in overspending and negative cash fund balances.

The Village should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the Village should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by Village Council to reduce the appropriations.

**Official's Response:** For 2020, the Certificate of Estimated Resources and Appropriation Measure were amended to ensure appropriations did not exceed estimated resources. The only exceptions being the Waterworks System Fund and the Civic Center Fund, which currently have significant negative fund balances, which will take time to correct. Action is being taken by Village Administration to address these deficits. This issue is likely to continue until the deficits in these two funds can be fully corrected over time.

5. **Expenditures Exceeding Appropriations - 5705.41(B)**

**FINDING NUMBER 2019-005**

NONCOMPLIANCE

**Ohio Rev. Code § 5705.41(B)** prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code. Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the Village's Street Maintenance & Repair Fund and Waterworks System Fund had expenditures in excess of appropriations of \$11,402 and \$205,009, respectively as of December 31, 2019. As of December 31, 2018 the Village's Waterworks System Fund had expenditures in excess of appropriations of \$208,561.

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

Village Council should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Finance Director should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

**Official's Response:** For 2020, the Appropriation Measure was amended to ensure actual expenditures did not exceed appropriations at the budgetary legal level of control.

6. **Negative Fund balances**

**FINDING NUMBER 2019-006**

NONCOMPLIANCE

**Ohio Rev. Code § 5705.10(I)** requires that money paid into any fund shall be used only for the purposes for which such fund is established.

Therefore, a negative fund cash balance in any fund may indicate that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance.

The following funds had deficit fund balances at December 31, 2018:  
Fund 204 Civic Center in the amount of \$23,640;  
Fund 701 Waterworks System in the amount of \$215,104; and  
Fund 720 WWTP Carbon Filters in the amount of \$16,718.17.

The following funds had deficit fund balances at December 31, 2019:  
Fund 204 Civic Center in the amount of \$58,720; and  
Fund 701 Waterworks System in the amount of \$709,510.

Negative fund balances could result in the use of restricted receipts for unallowable purposes. Procedures and controls, such as the Management and/or Council's periodic review of reports that show cash fund balances, and budgeted versus actual receipts and disbursements, should be implemented to identify those funds that may potentially develop a negative balance.

Advances or transfers should be made for these funds or appropriations modified to prevent a negative cash balance. The Village should refer to Ohio Compliance Supplement (OCS) Chapter 1 and/or Auditor of State Bulletin 97-003 for information regarding the accounting treatment and approval process for advances.

**Official's Response:** The Waterworks System Fund and Civic Center Fund currently have significant fund deficits. Water rates were increased significantly in 2020 to address deficit spending in the Waterworks System Fund, and to begin to reduce the negative fund balance. Progress is being made; however, it will take time to get the fund out of deficit. The Civic Center has been closed and winterized to minimize expenditures and prevent the fund from going further into deficit until a permanent solution can be implemented.

7. **Properly Posting Accounting Transactions**

**FINDING NUMBER 2019-007**

MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

**FINDING NUMBER 2019-007 (continued)**

- In 2018, a receipt of \$39,431 from the Department of Transportation for grant reimbursement was posted to the General Fund (Fund 100) as Charges for Services. This should have been posted to the Capital Improvement Fund (Fund 401) as Intergovernmental revenue.
- In 2019 the Village incorrectly posted \$36,000 to the Street Fund, Income Tax Revenue instead of the Motor Vehicle License Tax Fund, Intergovernmental Revenue.

These amounts have been adjusted on the Village's accounting records and financial statements.

Improper posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

To help ensure the Village's financial statements are accurate, the Village should adopt policies and procedures to help identify and correct errors and omissions. In addition, the Village should review the financial statements and notes prior to submission for audit.

**Official's Response:** The Finance Director carefully reviews the account codes utilized on all purchase orders at the time of issuance. The Finance Director codes and posts all receipt activity for the Village. A system of checks and balances has been implemented to ensure all transactions are accounted for in the correct period and transactions are properly posted. Monthly Reconciliations are completed accurately and timely to identify any errors. Julian & Grube, an independent accounting firm, prepares the Village's Annual Financial Report, which is reviewed by the Finance Director prior to submission.

8. **Budgetary Measures in Accounting System**

**FINDING NUMBER 2019-008**

MATERIAL WEAKNESS

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Village Council to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending, it is therefore necessary the amounts appropriated by the Village Council are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by Village Council are posted accurately to the receipts ledger.

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) approved by the Village Council were not properly posted to the accounting system. Additionally, the approved Certificate of Estimated Resources and/or amendments thereof was not properly posted to the accounting system.

**FINDING NUMBER 2019-008 (continued)**

At December 31, 2019, estimated resources approved by Village Council did not agree to the Village's ledgers for the following funds:

Fund	Estimated Receipts Per Last Amended Certificate	Budgeted Receipts Per the Accounting System	Variance
100 General Fund	\$0	\$2,159,773	(\$2,159,773)
201 Street Maintenance	\$0	\$242,100	(\$242,100)
701 Waterworks System	\$0	\$1,141,910	(\$1,141,910)
706 Sewer Fund	\$0	\$983,000	(\$983,000)

At December 31, 2019, appropriations approved by Village Council did not agree to the Village's ledgers for the following funds:

Fund	Appropriations Per Appropriation Resolution	Final Appropriations Per the Accounting System	Variance
100 General Fund	\$2,074,570	\$2,114,634	(\$40,064)
201 Street Maintenance	\$238,617	\$284,956	(\$46,339)
701 Waterworks System	\$1,164,892	\$1,277,501	(\$112,609)
706 Sewer Fund	\$917,118	\$929,469	(\$12,351)

At December 31, 2018, estimated resources approved by Village Council did not agree to the Village's ledgers for the following funds:

Fund	Estimated Receipts Per Last Amended Certificate	Budgeted Receipts Per the Accounting System	Variance
100 General Fund	\$1,739,052	\$2,145,136	(\$406,084)
201 Street Maintenance	\$245,000	\$235,900	\$9,100
701 Waterworks System	\$805,000	\$2,378,836	(\$1,573,836)
706 Sewer Fund	\$905,500	\$982,214	(\$76,714)

At December 31, 2018, appropriations approved by Village Council did not agree to the Village's ledgers for the following funds:

Fund	Appropriations Per Appropriation Resolution	Final Appropriations Per the Accounting System	Variance
100 General Fund	\$2,150,586	\$2,415,183	(\$264,597)
201 Street Maintenance	\$224,870	\$280,847	(\$55,977)
701 Waterworks System	\$1,103,801	\$1,398,306	(\$294,505)
706 Sewer Fund	\$939,297	\$995,750	(\$56,453)



**FINDING NUMBER 2019-008 (continued)**

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, because the information entered into the accounting system was not always accurate, adjustments were made each year to the budgetary activity reported in Note 3 to the financial statements in order to accurately present budgeted amounts as approved by Village Council and certified by the County Auditor.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Village Council. The Village should then monitor budget versus actual reports to help ensure amended certificates or resources and appropriations have been properly posted to the ledgers.

**Official's Response:** Budgeted Revenues and Appropriations are updated in the accounting system accurately and timely whenever any amendments are made to the Certificate of Estimated Resources or the Appropriation Measure. System totals are compared against the source document filed with the County and/or approved by Council, to ensure accuracy. Appropriation Measures and Certificates of Estimated Resources are being approved by Council and filed with the County Auditor for review by the County Budget Commission.

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
 DECEMBER 31, 2019 and 2018**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2017-001	<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 67.74% of expenditures not timely certified for 2017.	Not Corrected	Finding repeated in the 2019 Management Letter.
2017-002	<u>Material Weakness/Noncompliance</u> – Ohio Revised Code Section 5705.39 in part requires that total appropriations from each fund should not exceed total estimated resources. For 2017 the Village had appropriations in excess of estimated resources in various funds.	Not Corrected	Finding repeated as 2019-004.
2017-003	<u>Material Weakness/Noncompliance</u> – 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 expenditure from each fund in the tax budget along with any unencumbered balances that existed at the close of the preceding year. For 2017 the Village did not require enough amended certificates.	Not Corrected	Finding repeated in the 2019 Management Letter.
2017-004	<u>Material Weakness/Noncompliance</u> – Ohio Revised Code Section 5705.36(A)(4) determines that no revenue 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 below the level of current appropriations. During 2017 the Village had appropriations that were greater than actual resources in various funds.	Not Corrected	Finding repeated in the 2019 Management Letter.

2017-005	<u>Material Weakness/Noncompliance</u> – Ohio Revised Code Section 5705.10 in part requires that on a cash basis, no fund shall have a negative fund balance during the year or at year end. It further requires that money paid into any fund shall be used only for the purpose for which such fund is established. During 2017 the Village had various negative fund balances.	Not Corrected	Finding repeated as 2019-006.
2017-006	<u>Material Weakness/Noncompliance</u> – Ohio Revised 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 in 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 2017 the Village did not record various on behalf payments made to vendors from the Ohio Public Works Commission and the Ohio Water Development Authority.	Not Corrected	Finding repeated as 2019-002.
2017-007	<u>Material Weakness – Financial Statement Presentation</u> – The Village had identified misstatements in the 2017 financial statements that were not initially identified by the Village’s internal control.	Corrective Action Taken and Finding is Fully Corrected	
2017-008	<u>Material Weakness – Segregation of Duties</u> – The Village’s staff and operations did not allow for an adequate segregation of duties; the Village Manager was responsible for all accounting functions, including receipting, depositing, disbursing, and reconciling.	Corrective Action Taken and Finding is Fully Corrected	
2017-009	<u>Material Weakness/Noncompliance</u> – Ohio Revised Code 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated. During 2017 the Village had expenditures that exceeded appropriations in various funds.	Not Corrected	Finding repeated as 2019-002.
2017-010	<u>Material Weakness/Noncompliance</u> – Ohio Revised Code 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. Adjustments to the budget were made in the Village’s system without proper Council approval.	Not Corrected	Finding repeated as 2019-008.

# OHIO AUDITOR OF STATE KEITH FABER



**VILLAGE OF SEBRING**

**MAHONING COUNTY**

## **AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 3/23/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

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[www.ohioauditor.gov](http://www.ohioauditor.gov)