



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**VILLAGE OF SARDINIA
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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Sardinia
Brown County
P. O. Box 27
Sardinia, Ohio 45171

To the Village Council:

We have audited the accompanying financial statements of the Village of Sardinia, Brown County, Ohio (the Village), as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances as of the Village of Sardinia, Brown County, Ohio as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2000, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

July 21, 2000

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**VILLAGE OF SARDINIA
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
 AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES -
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property Tax and Other Local Taxes	\$4,123	\$117,758	\$8,119	\$0	\$130,000
Intergovernmental Receipts	19,730	71,558	929	189,979	282,196
Charges for Services		25,800		30,472	56,272
Fines, Licenses, and Permits	25,192	1,040			26,232
Earnings on Investments	15,958	370			16,328
Miscellaneous	3,799	13,414			17,213
Total Cash Receipts	<u>68,802</u>	<u>229,940</u>	<u>9,048</u>	<u>220,451</u>	<u>528,241</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	7,128	131,001			138,129
Public Health Services	911	532			1,443
Transportation		41,539		189,979	231,518
General Government	51,661	24,095			75,756
Debt Service	104,288		33,264		137,552
Capital Outlay		28,548			28,548
Total Disbursements	<u>163,988</u>	<u>225,715</u>	<u>33,264</u>	<u>189,979</u>	<u>612,946</u>
Total Receipts Over/(Under) Disbursements	<u>(95,186)</u>	<u>4,225</u>	<u>(24,216)</u>	<u>30,472</u>	<u>(84,705)</u>
Other Financing Receipts/(Disbursements):					
Sale of Bonds or Notes	90,000				90,000
Transfers-In	53,968	58,947	33,981		146,896
Advances-In	1,500	1,500			3,000
Transfers-Out	(74,197)	(57,699)			(131,896)
Advances-Out	(1,500)	(1,500)			(3,000)
Total Other Financing Receipts/(Disbursements)	<u>69,771</u>	<u>1,248</u>	<u>33,981</u>	<u>0</u>	<u>105,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(25,415)</u>	<u>5,473</u>	<u>9,765</u>	<u>30,472</u>	<u>20,295</u>
Fund Cash Balances January 1	<u>105,644</u>	<u>83,620</u>	<u>16,913</u>	<u>31,809</u>	<u>237,986</u>
Fund Cash Balances, December 31	<u>\$80,229</u>	<u>\$89,093</u>	<u>\$26,678</u>	<u>\$62,281</u>	<u>\$258,281</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$32,423</u>	<u>\$0</u>	<u>\$0</u>	<u>\$32,423</u>

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

**VILLAGE OF SARDINIA
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
 AND CHANGES IN FUND CASH BALANCES
 ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Interest	\$897	\$0	\$0	\$897
Charges for Services	271,369			271,369
Miscellaneous	7,425			7,425
Total Operating Cash Receipts	279,691	0	0	279,691
Operating Cash Disbursements:				
Personal Services	61,642			61,642
Fringe Benefits	21,451			21,451
Contractual Services	45,208			45,208
Supplies and Materials	61,384			61,384
Capital Outlay	61,594			61,594
Miscellaneous	1,426			1,426
Total Operating Cash Disbursements	252,705			252,705
Operating Income/(Loss)	26,986	0	0	26,986
Non-Operating Cash Receipts:				
Proceeds from Notes and Bonds	40,000			40,000
Other Non-Operating Receipts			30,851	30,851
Total Non-Operating Cash Receipts	40,000	0	30,851	70,851
Non-Operating Cash Disbursements:				
Debt Service	42,841			42,841
Other Non-Operating Cash Disbursements			30,851	30,851
Total Non-Operating Cash Disbursements	42,841	0	30,851	73,692
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	24,145	0	0	24,145
Transfers-In	26,669			26,669
Transfers-Out	(41,669)			(41,669)
Net Receipts Over/(Under) Disbursements	9,145	0	0	9,145
Fund Cash Balances, January 1	121,967	6,375	0	128,342
Fund Cash Balances, December 31	\$131,112	\$6,375	\$0	\$137,487
Reserve for Encumbrances, December 31	\$42,892	\$0	\$0	\$42,892

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

**VILLAGE OF SARDINIA
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
 AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES -
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts:					
Property Tax and Other Local Taxes	\$4,006	\$106,048	\$7,838	\$0	\$117,892
Intergovernmental Receipts	29,998	50,976	995	9,850	91,819
Charges for Services		25,555		27,497	53,052
Fines, Licenses, and Permits	24,571	610			25,181
Earnings on Investments	14,045				14,045
Miscellaneous	6,810	15,827			22,637
Total Cash Receipts	79,430	199,016	8,833	37,347	324,626
Cash Disbursements:					
Current:					
Security of Persons and Property	9,347	109,881			119,228
Transportation		27,196			27,196
General Government	41,698	25,938			67,636
Debt Service	104,363		3,981		108,344
Capital Outlay		28,960	29,286	10,538	68,784
Total Disbursements	155,408	191,975	33,267	10,538	391,188
Total Receipts Over/(Under) Disbursements	(75,978)	7,041	(24,434)	26,809	(66,562)
Other Financing Receipts/(Disbursements):					
Sale of Bonds or Notes	100,000				100,000
Sale of Fixed Assets	15,000				15,000
Transfers-In	11,500	59,312	30,000		100,812
Transfers-Out	(20,215)	(50,596)			(70,811)
Total Other Financing Receipts/(Disbursements)	106,285	8,716	30,000	0	145,001
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	30,307	15,757	5,566	26,809	78,439
Fund cash balances, January 1 as restated (note 9)	75,337	67,863	11,347	5,000	159,547
Fund Cash Balances, December 31	\$105,644	\$83,620	\$16,913	\$31,809	\$237,986
Reserves for Encumbrances, December 31	\$0	\$4,433	\$0	\$0	\$4,433

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

VILLAGE OF SARDINIA
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$238,491	\$0	\$0	\$238,491
Miscellaneous	8,388			8,388
Total Operating Cash Receipts	<u>246,879</u>	<u>0</u>	<u>0</u>	<u>246,879</u>
Operating Cash Disbursements:				
Personal Services	77,537			77,537
Transportation	1,010			1,010
Contractual Services	67,857			67,857
Supplies and Materials	25,555			25,555
Capital Outlay	1,396			1,396
Total Operating Cash Disbursements	<u>173,355</u>	<u>0</u>	<u>0</u>	<u>173,355</u>
Operating Income/(Loss)	<u>73,524</u>	<u>0</u>	<u>0</u>	<u>73,524</u>
Non-Operating Cash Receipts:				
Other Non-Operating Receipts			26,248	26,248
Total Non-Operating Cash Receipts	<u>0</u>	<u>0</u>	<u>26,248</u>	<u>26,248</u>
Non-Operating Cash Disbursements:				
Debt Service	32,986			32,986
Other Non-Operating Cash Disbursements			26,288	26,288
Total Non-Operating Cash Disbursements	<u>32,986</u>	<u>0</u>	<u>26,288</u>	<u>59,274</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	40,538	0	(40)	40,498
Transfers-In	10,709			10,709
Transfers-Out	(40,710)			(40,710)
Net Receipts Over/(Under) Disbursements	10,537	0	(40)	10,497
Fund cash balances, January 1 as restated (note 9)	111,430	6,375	40	117,845
Fund Cash Balances, December 31	<u>\$121,967</u>	<u>\$6,375</u>	<u>\$0</u>	<u>\$128,342</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**VILLAGE OF SARDINIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Sardinia, Brown County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected, six-member Council. The Village provides general governmental services, including road maintenance, police protection, and utilities.

The Village's management believes these financial statements present all activities for which the Village is financially accountable, except debt service funds maintained by outside custodians are not included in these financial statements. Assets held by custodians are described in Note 8 to the financial statements.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Village deposited funds into a general checking account and a Mayor's Court checking account. The savings account is valued at amounts reported by the financial institution and certificates of deposit are valued at cost. During 1998, the Village invested funds into a repurchase agreement, which was also valued at cost.

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

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

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

VILLAGE OF SARDINIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Street Operating Fund - This fund's primary source of income is derived from taxes levied by the Village to pay for repair and maintenance of Village streets and sidewalks.

Police Operating Fund - This fund's primary source of income is derived from taxes levied by the Village to pay the salaries and fringe benefits of Village police officers.

Income Tax Fund - This fund is used to account for receipts derived from the Village income tax ordinance. Disbursements are for the salary and enforcement efforts of the Income Tax Commissioner and transfers to other funds, for the general operating expenses of the Village.

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds, note indebtedness, and an Ohio Water Development Authority loan. The Village had the following significant Debt Service Fund:

Sewer Debt Fund - Used to retire debt issued from an Ohio Water Development Authority loan.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Issue II Fund - Receipts for this fund were State grants for specific purposes. This fund is used to pay for improvements within the Village.

5. Enterprise Funds

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

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

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

Sewer Capital Improvement Fund - Receipts for this fund are from transfers from the Sewer Operating Fund and from note proceeds (there were no transfers or note proceeds during 1998). Disbursements from this fund are for major capital improvements in sewer facilities.

6. Fiduciary Funds (Trust and Agency Funds)

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

VILLAGE OF SARDINIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cemetery Fund - An nonexpendable trust fund used to account for the principal amounts of monies left to the Village to be used for the upkeep of the Village cemetery.

Mayor's Court Fund - An agency fund used to account for monies received, by the public, in the form of court costs, fines, bonds, and/or restitution.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law, however, a review was performed to determine the amount of encumbrances at year end which were not recorded. As of December 31, 1999 and 1998 there were material unrecorded encumbrances which have been included on the financial statements and in Note 3.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

VILLAGE OF SARDINIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ 253,424	\$ (4,882)
Savings account	136,194	130,154
Certificates of deposit	<u>6,150</u>	<u>6,150</u>
Total deposits	<u>395,768</u>	<u>131,422</u>
Repurchase Agreement	<u>0</u>	<u>234,906</u>
Total Investments	<u>0</u>	<u>234,906</u>
Total deposits and investments	<u>\$ 395,768</u>	<u>\$ 366,328</u>

A. Deposits

Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

B. Investments

The Village invested into repurchase agreements which are backed by Federal Agency Mortgage backed securities, and are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 196,400	\$ 212,770	\$ 16,370
Special Revenue	286,819	288,887	2,068
Debt Service	42,880	43,029	149
Capital Projects	0	220,451	220,451
Enterprise	<u>332,949</u>	<u>346,360</u>	<u>13,411</u>
Total	<u>\$ 859,048</u>	<u>\$ 1,111,497</u>	<u>\$ 252,449</u>

VILLAGE OF SARDINIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 301,881	\$ 238,185	\$ 63,696
Special Revenue	359,436	315,837	43,599
Debt Service	56,981	33,264	23,717
Capital Projects	31,800	189,979	(158,179)
Enterprise	411,253	380,107	31,146
Total	<u>\$ 1,161,351</u>	<u>\$ 1,157,372</u>	<u>\$ 3,979</u>

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 49,982	\$ 205,930	\$ 155,948
Special Revenue	245,354	258,328	12,974
Debt Service	42,383	38,833	(3,550)
Capital Projects	26,300	37,347	11,047
Enterprise	262,000	257,588	(4,412)
Total	<u>\$ 626,019</u>	<u>\$ 798,026</u>	<u>\$ 172,007</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 125,318	\$ 175,623	\$ (50,305)
Special Revenue	300,293	242,571	57,722
Debt Service	45,494	33,267	12,227
Capital Projects	11,000	10,538	462
Enterprise	304,548	247,051	57,497
Total	<u>\$ 786,653</u>	<u>\$ 709,050</u>	<u>\$ 77,603</u>

In 1999, expenditures exceeded appropriations in the Capital Projects Fund by \$158,179. This resulted from \$189,978 of Issue II monies expended on behalf of the Village which were not budgeted.

In 1998, expenditures exceeded appropriations in the General Fund by \$50,305. This resulted from \$100,000 note retirement and renewal monies which were not recorded or budgeted in the Village ledgers. These amounts have been included in the financial statements.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements

VILLAGE OF SARDINIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

4. PROPERTY TAX (Continued)

as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$ 240,269	6.25%
General Obligation Notes:		
Municipal Building Bond Anticipation Note	90,000	4.10%
Sewer Improvement Bond Anticipation Note	40,000	4.10%
Police Vehicle Acquisition Note	4,441	4.62%
Village Dump Truck Acquisition Note	5,446	5.6 %
Water Mortgage Revenue Bonds	470,000	4.5 - 6.875%
Total	\$ 850,156	

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer lines and plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA approved a loan, in 1977, of \$405,346 to the Village for this project. The loan will be repaid in annual installments of \$29,025, including interest, over 40 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Mortgage Revenue Bonds were for improvements to the Village's Water System.

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

Year ending December 31:	OWDA Loan	General Obligation Notes	Mortgage Revenue Bonds
2000	\$ 29,025	\$ 145,756	\$ 41,593
2001	29,025	0	41,017
2002	29,025	0	40,428
2003	29,025	0	39,828

VILLAGE OF SARDINIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

5. DEBT (Continued)

2004	29,025	0	39,218
Subsequent	203,177	0	775,188
Total	\$ 348,302	\$ 145,756	\$ 977,272

6. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Commercial Inland Marine
- Public Officials Liability
- Law Enforcement Liability

The Village also provides health insurance and vision insurance to full-time employees through a private carrier.

8. DEBT SERVICE TRUSTEED FUNDS

The Water System trust agreement required the Village to establish debt service funds to be maintained by the custodian bank. The Village has established these funds. At December 31, 1999, the custodian held \$54,875 in Village assets. These assets and the related receipts and disbursements, are not reflected in the accompanying financial statements.

9. PRIOR PERIOD ADJUSTMENT

The fund balances of the Capital Projects Funds and Enterprise Funds at January 1 have been restated due to a reclassification of the Sewer Capital Improvement, Water Capital Improvement, and Water Replacement Funds. The effect of the restatement was to decrease the Capital Project Fund balance \$24,742 from \$29,742 to \$5,000 and to increase the Enterprise Fund balance \$24,772 from \$86,688 to \$111,430.

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

Village of Sardinia
Brown County
P. O. Box 27
Sardinia, Ohio 45171

To the Village Council:

We have audited the accompanying financial statements of the Village of Sardinia, Brown County, Ohio (the Village), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated July 21, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1999-30401-001 through 1999-30401-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 21, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-30401-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financials statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

We also noted other matters involving the internal control structure over financial reporting that do not require inclusion in this report that we have reported to the management of the Village in a separate letter dated July 21, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

July 21, 2000

**VILLAGE OF SARDINIA
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-30401-001

Noncompliance Citation

Ohio Rev. Code, Section 5705.09, requires the Village to establish a special fund for each class of revenue derived from a source other than the general property tax, which law requires to be used for a particular purpose. Upon establishing a fund, estimated receipts should be certified to the County Auditor as available for expenditure and anticipated expenditures should be included in the Village appropriations.

During 1999, the Village participated in the Ohio Public Works Commission's Issue 2 funding Program. Under this program, the state made payments of "Issue 2" monies to contractors on behalf of the Village. The Village did not formally establish the required fund to account for these monies and did not include these monies within its annual budget. Guidelines on the accounting treatment for these types of transactions is set forth in MAS Bulletin 89-17. The financial statements reflect an adjustment to include Issue 2 money.

Additionally, Ohio Rev. Code, Section 5705.41(B), prohibits expenditures unless it has been properly appropriated. The financial statements reflect an adjustment to include Issue 2 receipts and expenditures, however, the Village did not include these monies within its annual budget, which resulted in expenditures exceeding appropriations in the Issue 2 fund by \$189,979.

During 1998, the financial statements also reflect an adjustment the General Fund to include the expenditure for the retirement of the municipal building note and the proceeds for the renewal. The Village did not include these monies within its annual budget, which resulted in expenditures exceeding appropriations in the General fund by \$50,305.

FINDING NUMBER 1999-30401-002

Noncompliance Citation/ Reportable Condition

Ohio Rev. Code, Section 5705.41(D), provides that a subdivision or taxing unit shall not make any contract or order involving the disbursement of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment.

This Section also provides for two exceptions to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of previous encumbrances, the Council may authorize the issuance of a warrant in payment of amount due upon such contract or order by resolution within thirty (30) days from the receipt of such certificate; and
2. If the amount involved is less than one thousand dollars (\$1,000), the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Council, if such expenditure is otherwise valid.

**VILLAGE OF SARDINIA
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

At December 31, 1999, the following funds had unrecorded purchase commitments which did not meet these exceptions:

Street Levy Fund	\$28,778
Police Fund	3,654
Water Fund	42,892

At December 31, 1998, unrecorded purchase commitments of \$4,433 existed in the Police Fund.

The unrecorded purchase commitments stated above have been recorded on the accompanying financial statements.

Additionally, prior certification was not obtained for 47% of the vouchers reviewed in 1999 and 100% of the vouchers reviewed in 1998.

Failure to properly certify expenditures can result in overspending funds and negative cash fund balances. We recommend the Village properly certify all funds before making any expenditures.



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VILLAGE OF SARDINIA

BROWN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 22, 2000