



VILLAGE OF SARDINIA, BROWN COUNTY

Regular Audit

**For the Years Ended
December 31, 2005 and 2004**

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





Mary Taylor, CPA
Auditor of State

Village Council
Village of Sardinia
151 Maple Avenue
P.O. Box 27
Sardinia, Ohio 45171-0027

We have reviewed the *Independent Auditor's Report* of the Village of Sardinia, Brown County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 25, 2007

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Independent Auditor's Report

Village Council
Village of Sardinia, Brown County
151 Maple Ave.
Sardinia, Ohio 45171

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Sardinia, Brown County as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. 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.

Except as discussed in the fourth paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. 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 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

The Village was unable to provide a complete set of records and supporting documentation. Records and supporting documentation for utility billing and utility receipts for the year ended December 31, 2005 were not available for examination. We were, therefore, unable to apply certain generally accepted auditing procedures.

Due to the missing records and supporting documentation, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the business-type activities, Water Operating Fund, Sewer Operating Fund, and the aggregate remaining fund information of the Village as of and for the year ended December 31, 2005.

In addition, in our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village as of December 31, 2004 and of the governmental activities, Street Operating, Income Tax, Police Operating, Fire Operating, and Fire Capital Funds as of December 31, 2005, and the respective changes in financial position and the respective budgetary comparisons for the General, Street Operating, Street Levy, Income Tax, Police Operating, and Fire Operating Funds for the years then ended in conformity with the cash basis of accounting presented in Note 2.

Village Council
Village of Sardinia, Brown County
Independent Auditor's Report

As described in Note 3, during the years ended December 31, 2005 and 2004, the Village has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Also as described in Note 3, during the years ended December 31, 2005 and 2004, the Village implemented GASB Statement Nos. 37, 38 and 40.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 10, 2007 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. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

January 10, 2007

VILLAGE OF SARDINIA, BROWN COUNTY
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

This discussion and analysis of the Village of Sardinia's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2005 and 2004, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statements No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities increased \$24,824, or 22.58 percent. The fund most affected by the increase in cash and cash equivalents was the Fire Operating Fund, which increased by the amount of \$12,353.

Program receipts accounted for \$852,882 or 68.29 percent of total receipts. General receipts accounted for \$395,942 or 31.71 percent of total receipts. The Village's general receipts are primarily property and income taxes, grants and entitlements not restricted to specific programs and the sale of bond anticipation notes.

The Village had \$1,252,090 in disbursements; \$852,882 of these disbursements was offset by programs specific charges for services, operating grants and contributions, and capital grants and contributions. General receipts of \$395,942 were utilized to provide for the remainder of these programs.

Among the major funds, the Fire Capital Fund is the most significant with \$245,840 in receipts and other financing sources and \$242,904 in disbursements.

Key highlights for 2004 are as follows:

Net assets of governmental activities were \$109,917. Among the major funds, the Fire Capital Fund is the most significant with net assets of \$29,240 or 26.60 percent of the total governmental net assets.

Program receipts accounted for \$574,410 or 59.10 percent of total receipts. General receipts accounted for \$397,519 or 40.90 percent of total receipts. The Village's general receipts are primarily property and income taxes, grants and entitlements not restricted to specific programs, and the sale of bond anticipation notes.

The Village had \$976,663 in disbursements; \$574,410 of these disbursements was offset by programs specific charges for services, operating grants and contributions, and capital grants and contributions. General receipts of \$397,519 and net assets from the prior year were utilized to provide for the remainder of these programs.

Among the major funds, the Fire Capital Fund is the most significant with \$118,500 in receipts and other financing sources and \$132,583 in disbursements.

VILLAGE OF SARDINIA, BROWN COUNTY
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

VILLAGE OF SARDINIA, BROWN COUNTY
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

In the statement of net assets and the statement of activities, the Village consists of two types of activities:

Governmental Activities - All of the Village's basic services are reported here, including police, fire, streets and general government services. State grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-Type Activities - These services include water, sewer, and trash operations. Service fees for these operations are charged based upon the amount of usage. The intent is that the fees charged recoup operational costs.

Reporting the Government's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village consist of one category: governmental.

Governmental Funds - All of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General, Street Operating, Street Levy, Income Tax, Police Operating, Fire Operating, and Fire Capital Funds. The programs reported in governmental funds are the same as those reported in the governmental activities section of the entity-wide statements.

Enterprise Funds - When the Village charges citizens for the services it provides, with the intent of recapturing operating costs, these services are generally reported in proprietary funds. Proprietary funds are the same services as those in the business-type activities. The Village's major proprietary funds are the Water Operating and Sewer Operating Funds.

VILLAGE OF SARDINIA, BROWN COUNTY
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2005 compared to 2004 on a cash basis:

(Table 1)

Net Assets

	Governmental Activities		Business-Type Activities	
	2005	2004	2005	2004
Assets				
Cash and Cash Equivalents	\$134,741	\$109,917	\$53,994	\$72,084
Total Assets	134,741	109,917	53,994	72,084
Net Assets				
<i>Restricted for:</i>				
Capital Projects	32,176	29,240	0	0
Debt Service	341	341	0	0
<i>Cemetery Bequest:</i>				
Expendable	1,375	1,375	0	0
Nonexpendable	5,000	5,000	0	0
Other Purposes	85,227	72,011	0	0
Unrestricted	10,622	1,950	53,994	72,084
Total Net Assets	\$134,741	\$109,917	\$53,994	\$72,084

As mentioned previously, governmental activities net assets increased \$24,824 or 22.58 percent during 2005. The primary reasons contributing to the increase in cash balances are as follows:

- The Village had an increase in municipal taxes received from citizens and grants and entitlements.
- The Village was able to keep disbursements below the receipts during 2005, as they try to control spending.

Business-type activities net assets decreased \$18,090 or 25.10 percent during 2005. The primary reason contributing to the decrease in cash balances is disbursements made related to improvements to the wastewater treatment plant.

VILLAGE OF SARDINIA, BROWN COUNTY
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

Table 2 reflects the changes in net assets in 2005 and 2004.

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-Type Activities	
	2005	2004	2005	2004
<u>Receipts:</u>				
<i>Program Receipts:</i>				
Charges for Sales and Services	\$223,548	\$78,636	\$407,220	\$332,396
Operating Grants and Contributions	53,759	44,821	0	0
Capital Grants and Contributions	0	0	168,355	118,557
Total Program Receipts	277,307	123,457	575,575	450,953
<i>General Receipts:</i>				
Property Taxes	87,437	91,528	0	0
Income Taxes	90,499	72,048	0	0
Grants and Entitlements Not Restricted to Specific Programs	56,612	21,230	0	0
Interest	1,277	696	0	0
Sale of Bond Anticipation Notes	138,000	163,000	15,000	20,000
Miscellaneous	6,449	17,755	668	1,262
Total General Receipts	380,274	366,257	15,668	21,262
Total Receipts	657,581	489,714	591,243	472,215
<u>Disbursements:</u>				
General Government	92,543	78,483	0	0
Security of Persons and Property	107,238	99,624	0	0
Public Health Services	29,475	26,456	0	0
Transportation	69,425	42,621	0	0
Capital Outlay	165,280	20,611	0	0
Principal Retirement	163,000	219,000	0	0
Interest and Fiscal Charges	5,796	4,916	0	0
Water Operating	0	0	165,488	145,515
Sewer Operating	0	0	388,390	280,572
Trash Operating	0	0	47,754	41,478
Water CIF	0	0	3,164	5,482
Sewer CIF	0	0	0	1,500
Water Replacement	0	0	4,368	9,850
Utility Deposit Fund	0	0	169	555
Total Disbursements	632,757	491,711	609,333	484,952
Increase (Decrease) in Net Assets	24,824	(1,997)	(18,090)	(12,737)
Net Assets, January 1	109,917	111,914	72,084	84,821
Net Assets, December 31	\$134,741	\$109,917	\$53,994	\$72,084

VILLAGE OF SARDINIA, BROWN COUNTY
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

Governmental Activities

Program receipts represent 42.17 percent of total receipts for 2005 and 25.21 percent of total receipts for 2004. Program receipts are primarily comprised of fire capital charges for services.

General receipts represent 57.83 percent of total receipts for 2005 and 74.79 percent of total receipts for 2004. General receipts are comprised of property and income taxes, grants and entitlements not restricted to specific programs, sale of bond anticipation notes, interest and miscellaneous receipts. Taxes represent 27.06 percent of total receipts in 2005 and 33.40 percent in 2004. The sale of bond anticipation notes represent 20.99 percent of total receipts in 2005 and 33.28 percent in 2004.

The most significant program disbursements for the Village are Principal Retirement and Capital Outlay. These programs account for 52.63 percent of total disbursements in 2005 and 48.93 percent in 2004. Principal Retirement, which accounts for 25.36 percent of the total in 2005 and 44.54 percent in 2004, represents costs associated with the repayment of the debt of the Village. Capital Outlay, which accounts for 22.27 of the total in 2005 and 4.19 in 2004, represents the costs associated with the purchase of capital.

If you look at the 2005 Statement of Activities on page 12 and the 2004 Statement of Activities on page 26 you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The next column of the Statement entitled Program Receipts identify grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)
Governmental Activities

	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	2005	2005	2004	2004
General Government	\$92,543	\$77,591	\$78,483	\$66,532
Public Safety	107,238	(100,855)	99,624	40,913
Public Works	29,475	20,730	26,456	17,517
Health	69,425	23,908	42,621	(1,235)
Capital Outlay	165,280	165,280	20,611	20,611
Principal Retirement	163,000	163,000	219,000	219,000
Interest and Fiscal Charges	5,796	5,796	4,916	4,916
Total Expenses	\$632,757	\$355,450	\$491,711	\$368,254

VILLAGE OF SARDINIA, BROWN COUNTY
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

Business-Type Activities

The business-type activities of the Village, which include its water, sewer and trash operations, decreased the net assets by \$18,090 in 2005 and \$12,737 in 2004. A decrease in net assets in total in the business-type activities for both years is due to sewer capital projects.

It should be noted that 43.14 percent of the costs of services for 2005 and 25.11 percent for 2004, are derived from program receipts including operating grants and contributions.

Governmental Funds

Total governmental funds had receipts of \$519,581 and disbursements of \$632,757 in 2005. There was a small margin of difference between the receipts and disbursements for 2005.

Total governmental funds had receipts of \$326,714 and disbursements of \$491,711 in 2004. There was a small margin of difference between the receipts and disbursements for 2004.

Proprietary Funds

The Village's enterprise funds are the Water Operating, Sewer Operating, Trash Operating, Water Replacement and Utility Deposit Funds. The Village provides water, sewer and trash services to all customers in Sardinia. Net assets of the enterprise funds at year end 2005 were \$53,994 and \$72,084 at year end 2004.

The Village's two major enterprise funds are the Water Operating and Sewer Operating Funds which, at year end, had net assets of \$22,455 for 2005 and \$11,642 for 2004 and \$18,013 for 2005 and \$35,024 for 2004, respectively. During 2005, the Water Operating Fund net assets increased by \$10,813 while the Sewer Operating Fund net assets decreased by \$17,011.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

For the General Fund final budgeted receipts for 2005 were \$82,956 representing no change from the original budgeted receipts, while actual receipts were \$77,549. The difference between final budgeted receipts and actual receipts was \$5,407 or 6.52 percent.

General Fund final disbursements were budgeted at \$174,211 for 2005 representing no change from the original budgeted disbursements, while actual disbursements were \$156,037. The difference between final budgeted disbursements and actual disbursements was \$18,174 or 10.43 percent.

For the General Fund final budgeted receipts for 2004 were \$53,300 representing no change from the original budgeted receipts, while actual receipts were \$45,179. The difference between final budgeted receipts and actual receipts was \$8,121 or 15.24 percent.

General Fund final disbursements were budgeted at \$88,300 for 2004 representing no change from the original budgeted disbursements, while actual disbursements were \$145,738. The difference between final budgeted disbursements and actual disbursements was \$57,438 or 65.05 percent.

VILLAGE OF SARDINIA, BROWN COUNTY
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

Debt Administration

At December 31, 2005, the Village has a total of \$1,149,784 in outstanding debt.

At December 31, 2004, the Village had a total of \$1,042,975 in outstanding debt.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited funding. As indicated in the preceding financial information, the Village relies heavily on local taxes and business type receipts to operate at the current level of services.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Julie Shannon, Fiscal Officer for Village of Sardinia, Brown County, Ohio at 151 Maple Avenue, Sardinia, Ohio 45171.

VILLAGE OF SARDINIA, BROWN COUNTY

Statement of Net Assets - Cash Basis

December 31, 2005

	Governmental Activities	Business-Type Activities	Total
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$134,741	\$53,994	\$188,735
<i>Total Assets</i>	<u>134,741</u>	<u>53,994</u>	<u>188,735</u>
<u>Net Assets:</u>			
<i>Restricted for:</i>			
Capital Projects	32,176	0	32,176
Debt Service	341	0	341
<i>Cemetery Bequest:</i>			
Expendable	1,375	0	1,375
Nonexpendable	5,000	0	5,000
Other Purposes	85,227	0	85,227
Unrestricted	<u>10,622</u>	<u>53,994</u>	<u>64,616</u>
<i>Total Net Assets</i>	<u>\$134,741</u>	<u>\$53,994</u>	<u>\$188,735</u>

See accompanying notes to the basic financial statements.

VILLAGE OF SARDINIA, BROWN COUNTY

Statement of Activities - Cash Basis

For the Year Ended December 31, 2005

	Program Receipts			
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<u>Governmental Activities:</u>				
General Government	\$92,543	\$14,952	\$0	\$0
Security of Persons and Property	107,238	199,851	8,242	0
Public Health Services	29,475	8,745	0	0
Transportation	69,425	0	45,517	0
Capital Outlay	165,280	0	0	0
<i>Debt Service:</i>				
Principal Retirement	163,000	0	0	0
Interest and Fiscal Charges	5,796	0	0	0
<i>Total Governmental Activities</i>	<u>\$632,757</u>	<u>\$223,548</u>	<u>\$53,759</u>	<u>\$0</u>
<u>Business-Type Activities:</u>				
Water Operating	\$165,488	\$175,970	\$0	\$0
Sewer Operating	388,390	188,024	0	168,355
Trash Operating	47,754	41,176	0	0
Water CIF	3,164	0	0	0
Water Replacement	4,368	0	0	0
Utility Deposit Fund	169	2,050	0	0
<i>Total Business-Type Activities</i>	<u>609,333</u>	<u>407,220</u>	<u>0</u>	<u>168,355</u>
<i>Totals Primary Government</i>	<u>\$1,242,090</u>	<u>\$630,768</u>	<u>\$53,759</u>	<u>\$168,355</u>

General Receipts:

Property Taxes
 Income Taxes
 Grants and Entitlements not Restricted to Specific Programs
 Earnings on Investment
 Sale of Bond Anticipation Notes
 Miscellaneous

Total General Receipts

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

See accompanying notes to the basic financial statements.

Net (Disbursements) Receipts
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$77,591)	\$0	(\$77,591)
100,855	0	100,855
(20,730)	0	(20,730)
(23,908)	0	(23,908)
(165,280)	0	(165,280)
(163,000)	0	(163,000)
(5,796)	0	(5,796)
(355,450)	0	(355,450)
0	10,482	10,482
0	(32,011)	(32,011)
0	(6,578)	(6,578)
0	(3,164)	(3,164)
0	(4,368)	(4,368)
0	1,881	1,881
0	(33,758)	(33,758)
(355,450)	(33,758)	(389,208)
87,437	0	87,437
90,499	0	90,499
56,612	0	56,612
1,277	0	1,277
138,000	15,000	153,000
6,449	668	7,117
380,274	15,668	395,942
24,824	(18,090)	6,734
109,917	72,084	182,001
\$134,741	\$53,994	\$188,735

VILLAGE OF SARDINIA, BROWN COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	<u>General</u>	<u>Street Operating</u>	<u>Income Tax</u>	<u>Police Operating</u>
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$10,622	\$22,286	\$4,831	\$4,267
<i>Total Assets</i>	<u>\$10,622</u>	<u>\$22,286</u>	<u>\$4,831</u>	<u>\$4,267</u>
<u>Fund Balances:</u>				
Reserved for Encumbrance	\$1,160	\$529	\$0	\$1,677
<i>Unreserved</i>				
General Fund	9,462	0	0	0
Special Revenue Funds	0	21,757	4,831	2,590
Debt Service Fund	0	0	0	0
Capital Projects Funds	0	0	0	0
Permanent Fund	0	0	0	0
<i>Total Fund Balances</i>	<u>\$10,622</u>	<u>\$22,286</u>	<u>\$4,831</u>	<u>\$4,267</u>

See accompanying notes to the basic financial statements.

<u>Fire Operating</u>	<u>Fire Capital</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$30,336	\$32,176	\$30,223	\$134,741
<u>\$30,336</u>	<u>\$32,176</u>	<u>\$30,223</u>	<u>\$134,741</u>
\$0	\$0	\$496	\$3,862
0	0	0	9,462
30,336	0	23,011	82,525
0	0	341	341
0	32,176	0	32,176
0	0	6,375	6,375
<u>\$30,336</u>	<u>\$32,176</u>	<u>\$30,223</u>	<u>\$134,741</u>

VILLAGE OF SARDINIA, BROWN COUNTY
Statement of Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Street Operating	Income Tax	Police Operating
<u>Receipts:</u>				
Property Taxes	\$5,889	\$0	\$0	\$31,265
Income Taxes	0	0	90,499	0
Charges for Services	0	0	0	0
Licenses, Permits and Fees	13,732	0	0	0
Intergovernmental	56,612	45,517	0	237
Earnings on Investments	1,172	105	0	0
Miscellaneous	144	453	0	3,225
<i>Total Receipts</i>	<u>77,549</u>	<u>46,075</u>	<u>90,499</u>	<u>34,727</u>
<u>Disbursements:</u>				
<i>Current:</i>				
General Government	68,133	433	11,601	3,137
Security of Persons and Property	8,280	0	0	73,469
Public Health Services	4,106	0	0	0
Transportation	0	38,977	0	0
Capital Outlay	0	3,000	0	0
<i>Debt Service:</i>				
Principal Retirement	70,000	0	0	10,000
Interest and Fiscal Charges	4,358	0	0	0
<i>Total Disbursements</i>	<u>154,877</u>	<u>42,410</u>	<u>11,601</u>	<u>86,606</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(77,328)	3,665	78,898	(51,879)
<u>Other Financing Sources (Uses):</u>				
Issuance of Bond Anticipation Notes	65,000	0	0	0
Transfers In	75,100	0	0	54,100
Transfers Out	(54,100)	0	(75,100)	0
<i>Total Other Financing Sources (Uses):</i>	<u>86,000</u>	<u>0</u>	<u>(75,100)</u>	<u>54,100</u>
<i>Net Change in Fund Balances</i>	8,672	3,665	3,798	2,221
<i>Fund Balances at Beginning of Year</i>	<u>1,950</u>	<u>18,621</u>	<u>1,033</u>	<u>2,046</u>
<i>Fund Balances at End of Year</i>	<u>\$10,622</u>	<u>\$22,286</u>	<u>\$4,831</u>	<u>\$4,267</u>

See accompanying notes to the basic financial statements.

Fire Operating	Fire Capital	Other Governmental Funds	Total Governmental Funds
\$11,502	\$0	\$38,781	\$87,437
0	0	0	90,499
27,010	172,840	8,745	208,595
0	0	1,220	14,952
8,005	0	0	110,371
0	0	0	1,277
564	0	2,064	6,450
<u>47,081</u>	<u>172,840</u>	<u>50,810</u>	<u>519,581</u>
9,239	0	0	92,543
25,489	0	0	107,238
0	0	25,369	29,475
0	0	30,448	69,425
0	158,466	3,814	165,280
0	83,000	0	163,000
0	1,438	0	5,796
<u>34,728</u>	<u>242,904</u>	<u>59,631</u>	<u>632,757</u>
12,353	(70,064)	(8,821)	(113,176)
0	73,000	0	138,000
0	0	0	129,200
0	0	0	(129,200)
<u>0</u>	<u>73,000</u>	<u>0</u>	<u>138,000</u>
12,353	2,936	(8,821)	24,824
<u>17,983</u>	<u>29,240</u>	<u>39,044</u>	<u>109,917</u>
<u>\$30,336</u>	<u>\$32,176</u>	<u>\$30,223</u>	<u>\$134,741</u>

VILLAGE OF SARDINIA, BROWN COUNTY
*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$11,200	\$11,200	\$5,889	(\$5,311)
Intergovernmental	58,656	58,656	56,612	(2,044)
Fines, Licenses and Permits	11,500	11,500	13,732	2,232
Earnings on Investments	600	600	1,172	572
Miscellaneous	1,000	1,000	144	(856)
<i>Total Receipts</i>	82,956	82,956	77,549	(5,407)
<u>Disbursements:</u>				
<i>Current:</i>				
General Government	78,976	78,976	69,293	9,683
Security of Persons and Property	8,400	8,400	8,280	120
Public Health Services	4,200	4,200	4,106	94
<i>Debt Service:</i>				
Principal Retirement	70,000	70,000	70,000	0
Interest and Fiscal Charges	12,635	12,635	4,358	8,277
<i>Total Disbursements</i>	174,211	174,211	156,037	18,174
<i>Excess of Receipts Over (Under) Disbursements</i>	(91,255)	(91,255)	(78,488)	12,767
<u>Other Financing Sources (Uses):</u>				
Issuance of Bond Anticipation Notes	70,000	70,000	65,000	(5,000)
Transfers In	83,000	83,000	75,100	(7,900)
Transfers Out	(55,000)	(55,000)	(54,100)	900
<i>Total Other Financing Sources (Uses)</i>	98,000	98,000	86,000	(12,000)
<i>Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</i>	6,745	6,745	7,512	767
<i>Fund Balance at Beginning of Year</i>	539	539	539	0
Prior Year Encumbrances Appropriated	1,411	1,411	1,411	0
<i>Fund Balance at End of Year</i>	\$8,695	\$8,695	\$9,462	\$767

See accompanying notes to the basic financial statements.

VILLAGE OF SARDINIA, BROWN COUNTY
*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Street Operating Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Intergovernmental	\$42,900	\$42,900	\$45,517	\$2,617
Earnings on Investments	25	25	105	80
Miscellaneous	300	300	453	153
<i>Total Receipts</i>	43,225	43,225	46,075	2,850
<u>Disbursements:</u>				
<i>Current:</i>				
General Government	435	435	433	2
Transporation	40,725	40,725	39,505	1,220
Capital Outlay	3,000	3,000	3,000	0
<i>Total Disbursements</i>	44,160	44,160	42,938	1,222
<i>Excess of Receipts Over (Under) Disbursements</i>	(935)	(935)	3,137	4,072
<i>Fund Balance at Beginning of Year</i>	17,686	17,686	17,686	0
Prior Year Encumbrances Appropriated	935	935	935	0
<i>Fund Balance at End of Year</i>	\$17,686	\$17,686	\$21,758	\$4,072

See accompanying notes to the basic financial statements.

VILLAGE OF SARDINIA, BROWN COUNTY
*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Income Tax Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Income Taxes	\$80,000	\$80,000	\$90,499	\$10,499
<i>Total Receipts</i>	80,000	80,000	90,499	10,499
<u>Disbursements:</u>				
<i>Current:</i>				
General Government	15,129	15,129	11,601	3,528
<i>Total Disbursements</i>	15,129	15,129	11,601	3,528
<i>Excess of Receipts Over (Under) Disbursements</i>	64,871	64,871	78,898	14,027
<u>Other Financing Sources (Uses):</u>				
Transfers Out	(65,000)	(65,000)	(75,100)	(10,100)
<i>Total Other Financing Sources (Uses)</i>	(65,000)	(65,000)	(75,100)	(10,100)
<i>Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</i>	(129)	(129)	3,798	3,927
<i>Fund Balance at Beginning of Year</i>	905	905	905	0
Prior Year Encumbrances Appropriated	128	128	128	0
<i>Fund Balance at End of Year</i>	\$904	\$904	\$4,831	\$3,927

See accompanying notes to the basic financial statements.

VILLAGE OF SARDINIA, BROWN COUNTY
*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Police Operating Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$32,675	\$32,675	\$31,265	(\$1,410)
Intergovernmental	200	200	237	37
Miscellaneous	4,425	4,425	3,225	(1,200)
<i>Total Receipts</i>	37,300	37,300	34,727	(2,573)
<u>Disbursements:</u>				
<i>Current:</i>				
General Government	5,000	5,000	3,136	1,864
Security of Persons and Property	65,735	65,735	75,147	(9,412)
<i>Debt Service:</i>				
Principal Retirement	10,000	10,000	10,000	0
<i>Total Disbursements</i>	80,735	80,735	88,283	(7,548)
<i>Excess of Receipts Over (Under) Disbursements</i>	(43,435)	(43,435)	(53,556)	(10,121)
<u>Other Financing Sources (Uses):</u>				
Transfers In	59,100	59,100	54,100	(5,000)
<i>Total Other Financing Sources (Uses)</i>	59,100	59,100	54,100	(5,000)
<i>Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</i>	15,665	15,665	544	(15,121)
<i>Fund Balance at Beginning of Year</i>	(188)	(188)	(188)	0
Prior Year Encumbrances Appropriated	2,234	2,234	2,234	0
<i>Fund Balance at End of Year</i>	\$17,711	\$17,711	\$2,590	(\$15,121)

See accompanying notes to the basic financial statements.

VILLAGE OF SARDINIA, BROWN COUNTY
*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Fire Operating Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<u>Receipts:</u>				
Property Taxes	\$12,000	\$12,000	\$11,502	(\$498)
Intergovernmental	0	0	8,005	8,005
Charges for Services	32,250	32,250	27,010	(5,240)
Miscellaneous	0	0	564	564
<i>Total Receipts</i>	<u>44,250</u>	<u>44,250</u>	<u>47,081</u>	<u>2,831</u>
<u>Disbursements:</u>				
<i>Current:</i>				
General Government	9,480	9,480	9,239	241
Security of Persons and Property	34,770	34,770	25,489	9,281
<i>Total Disbursements</i>	<u>44,250</u>	<u>44,250</u>	<u>34,728</u>	<u>9,522</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	0	0	12,353	12,353
<i>Fund Balance at Beginning of Year</i>	<u>17,983</u>	<u>17,983</u>	<u>17,983</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$17,983</u>	<u>\$17,983</u>	<u>\$30,336</u>	<u>\$12,353</u>

See accompanying notes to the basic financial statements.

VILLAGE OF SARDINIA, BROWN COUNTY

Statement of Fund Net Assets - Cash Basis

Proprietary Funds

December 31, 2005

	<u>Water Operating</u>	<u>Sewer Operating</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$22,455	\$18,013	\$13,526	\$53,994
<i>Total Assets</i>	<u>22,455</u>	<u>18,013</u>	<u>13,526</u>	<u>53,994</u>
<u>Net Assets:</u>				
Unrestricted	22,455	18,013	13,526	53,994
<i>Total Net Assets</i>	<u>\$22,455</u>	<u>\$18,013</u>	<u>\$13,526</u>	<u>\$53,994</u>

See accompanying notes to the basic financial statements.

VILLAGE OF SARDINIA, BROWN COUNTY
Statement of Receipts, Disbursements and Changes in Cash Basis Fund Balances
Proprietary Funds
For the Year Ended December 31, 2005

	Water Operating	Sewer Operating	Other Enterprise Funds	Total Enterprise Funds
<u>Operating Receipts:</u>				
Charges for Services	\$175,970	\$188,024	\$43,226	\$407,220
<i>Total Operating Receipts</i>	<u>175,970</u>	<u>188,024</u>	<u>43,226</u>	<u>407,220</u>
<u>Operating Disbursements:</u>				
Personal Services	30,874	35,772	0	66,646
Employee Fringe Benefits	4,830	11,074	0	15,904
Contractual Services	67,452	50,519	30,835	148,806
Supplies and Materials	6,729	34,978	16,919	58,626
Other	994	8,750	169	9,913
<i>Total Operating Disbursements</i>	<u>110,879</u>	<u>141,093</u>	<u>47,923</u>	<u>299,895</u>
<i>Operating Income (Loss)</i>	65,091	46,931	(4,697)	107,325
<u>Non-Operating Receipts (Disbursements)</u>				
OWDA Loans	0	168,355	0	168,355
Issuance of Bond Anticipation Notes	0	15,000	0	15,000
Miscellaneous Receipts	331	0	337	169,023
Capital Outlay	0	(198,222)	(7,532)	(205,754)
Principal Payments	(11,984)	(39,562)	0	(51,546)
Interest and Fiscal Charges	(42,625)	(9,513)	0	(52,138)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(54,278)</u>	<u>(63,942)</u>	<u>(7,195)</u>	<u>42,940</u>
<i>Change in Net Assets</i>	10,813	(17,011)	(11,892)	(18,090)
<i>Net Assets at Beginning of Year</i>	<u>11,642</u>	<u>35,024</u>	<u>25,418</u>	<u>72,084</u>
<i>Net Assets at End of Year</i>	<u><u>\$22,455</u></u>	<u><u>\$18,013</u></u>	<u><u>\$13,526</u></u>	<u><u>\$53,994</u></u>

See accompanying notes to the basic financial statements.

VILLAGE OF SARDINIA, BROWN COUNTY

Statement of Net Assets - Cash Basis

December 31, 2004

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$109,917	\$72,084	\$182,001
<i>Total Assets</i>	<u>109,917</u>	<u>72,084</u>	<u>182,001</u>
<u>Net Assets:</u>			
<i>Restricted for:</i>			
Capital Projects	29,240	0	29,240
Debt Service	341	0	341
<i>Cemetery Bequest:</i>			
Expendable	1,375	0	1,375
Nonexpendable	5,000	0	5,000
Other Purposes	72,011	0	72,011
Unrestricted	<u>1,950</u>	<u>72,084</u>	<u>74,034</u>
<i>Total Net Assets</i>	<u>\$109,917</u>	<u>\$72,084</u>	<u>\$182,001</u>

See accompanying notes to the basic financial statements.

VILLAGE OF SARDINIA, BROWN COUNTY

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2004*

	Program Receipts			
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<u>Governmental Activities:</u>				
General Government	\$78,483	\$11,951	\$0	\$0
Security of Persons and Property	99,624	57,820	891	0
Public Health Services	26,456	8,865	74	0
Transportation	42,621	0	43,856	0
Capital Outlay	20,611	0	0	0
<i>Debt Service:</i>				
Principal Retirement	219,000	0	0	0
Interest and Fiscal Charges	4,916	0	0	0
<i>Total Governmental Activities</i>	<u>\$491,711</u>	<u>\$78,636</u>	<u>\$44,821</u>	<u>\$0</u>
<u>Business-Type Activities:</u>				
Water Operating	\$145,515	\$146,953	\$0	\$0
Sewer Operating	280,572	142,372	0	118,557
Trash Operating	41,478	39,591	0	0
Water CIF	5,482	0	0	0
Sewer CIF	1,500	0	0	0
Water Replacement	9,850	0	0	0
Utility Deposit Fund	555	3,480	0	0
<i>Total Business-Type Activities</i>	<u>484,952</u>	<u>332,396</u>	<u>0</u>	<u>118,557</u>
<i>Totals Primary Government</i>	<u>\$976,663</u>	<u>\$411,032</u>	<u>\$44,821</u>	<u>\$118,557</u>

General Receipts:

Property Taxes
Income Taxes
Grants and Entitlements not Restricted to Specific Programs
Earnings on Investments
Sale of Bond Anticipation Notes
Miscellaneous

Total General Receipts

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

See accompanying notes to the basic financial statements.

Net (Disbursements) Receipts
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$66,532)	\$0	(\$66,532)
(40,913)	0	(40,913)
(17,517)	0	(17,517)
1,235	0	1,235
(20,611)	0	(20,611)
(219,000)	0	(219,000)
(4,916)	0	(4,916)
(368,254)	0	(368,254)
0	1,438	1,438
0	(19,643)	(19,643)
0	(1,887)	(1,887)
0	(5,482)	(5,482)
0	(1,500)	(1,500)
0	(9,850)	(9,850)
0	2,925	2,925
0	(33,999)	(33,999)
(368,254)	(33,999)	(402,253)
91,528	0	91,528
72,048	0	72,048
21,230	0	21,230
696	0	696
163,000	20,000	183,000
17,755	1,262	19,017
366,257	21,262	387,519
(1,997)	(12,737)	(14,734)
111,914	84,821	196,735
\$109,917	\$72,084	\$182,001

VILLAGE OF SARDINIA, BROWN COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2004

	General	Street Operating	Street Levy	Income Tax
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,950	\$18,621	\$19,292	\$1,033
<i>Total Assets</i>	\$1,950	\$18,621	\$19,292	\$1,033
 <u>Fund Balances:</u>				
Reserved for Encumbrance	\$1,411	\$935	\$0	\$129
<i>Unreserved</i>				
General Fund	539	0	0	0
Special Revenue Funds	0	17,686	19,292	904
Debt Service Fund	0	0	0	0
Capital Projects Funds	0	0	0	0
Permanent Fund	0	0	0	0
<i>Total Fund Balances</i>	\$1,950	\$18,621	\$19,292	\$1,033

See accompanying notes to the basic financial statements.

<u>Police Operating</u>	<u>Fire Operating</u>	<u>Fire Capital</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>\$2,046</u>	<u>\$17,983</u>	<u>\$29,240</u>	<u>\$19,752</u>	<u>\$109,917</u>
<u>\$2,046</u>	<u>\$17,983</u>	<u>\$29,240</u>	<u>\$19,752</u>	<u>\$109,917</u>
\$2,235	\$0	\$0	\$488	\$5,198
0	0	0	0	539
(189)	17,983	0	12,548	68,224
0	0	0	341	341
0	0	29,240	0	29,240
<u>0</u>	<u>0</u>	<u>0</u>	<u>6,375</u>	<u>6,375</u>
<u>\$2,046</u>	<u>\$17,983</u>	<u>\$29,240</u>	<u>\$19,752</u>	<u>\$109,917</u>

VILLAGE OF SARDINIA, BROWN COUNTY
Statement of Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Street Operating	Street Levy	Income Tax
<u>Receipts:</u>				
Property Taxes	\$11,249	\$0	\$19,458	\$0
Income Taxes	0	0	0	72,048
Charges for Services	0	0	0	0
Licenses, Permits and Fees	10,936	0	0	0
Intergovernmental	21,230	43,047	809	0
Earnings on Investments	662	34	0	0
Miscellaneous	1,102	308	0	0
<i>Total Receipts</i>	<u>45,179</u>	<u>43,389</u>	<u>20,267</u>	<u>72,048</u>
<u>Disbursements:</u>				
<i>Current:</i>				
General Government	57,074	184	0	9,790
Security of Persons and Property	8,375	0	0	0
Public Health Services	2,200	0	0	0
Transportation	0	41,144	1,477	0
Capital Outlay	0	2,701	3,975	0
<i>Debt Service:</i>				
Principal Retirement	75,000	0	0	0
Interest and Fiscal Charges	1,678	0	0	0
<i>Total Disbursements</i>	<u>144,327</u>	<u>44,029</u>	<u>5,452</u>	<u>9,790</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(99,148)	(640)	14,815	62,258
<u>Other Financing Sources (Uses):</u>				
Issuance of Bond Anticipation Notes	70,000	0	0	0
Transfers In	61,600	0	0	0
Transfers Out	(37,600)	0	0	(61,600)
<i>Total Other Financing Sources (Uses):</i>	<u>94,000</u>	<u>0</u>	<u>0</u>	<u>(61,600)</u>
<i>Net Change in Fund Balances</i>	(5,148)	(640)	14,815	658
<i>Fund Balances at Beginning of Year</i>	<u>7,098</u>	<u>19,261</u>	<u>4,477</u>	<u>375</u>
<i>Fund Balances at End of Year</i>	<u>\$1,950</u>	<u>\$18,621</u>	<u>\$19,292</u>	<u>\$1,033</u>

See accompanying notes to the basic financial statements.

<u>Police Operating</u>	<u>Fire Operating</u>	<u>Fire Capital</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$31,125	\$10,950	\$0	\$18,746	\$91,528
0	0	0	0	72,048
0	27,320	30,500	8,865	66,685
0	0	0	1,015	11,951
122	769	0	74	66,051
0	0	0	0	696
<u>9,583</u>	<u>717</u>	<u>5,000</u>	<u>1,045</u>	<u>17,755</u>
<u>40,830</u>	<u>39,756</u>	<u>35,500</u>	<u>29,745</u>	<u>326,714</u>
3,474	7,961	0	0	78,483
61,782	29,467	0	0	99,624
0	0	0	24,256	26,456
0	0	0	0	42,621
2,962	0	4,770	6,203	20,611
19,000	0	125,000	0	219,000
<u>425</u>	<u>0</u>	<u>2,813</u>	<u>0</u>	<u>4,916</u>
<u>87,643</u>	<u>37,428</u>	<u>132,583</u>	<u>30,459</u>	<u>491,711</u>
(46,813)	2,328	(97,083)	(714)	(164,997)
10,000	0	83,000	0	163,000
37,600	0	0	0	99,200
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(99,200)</u>
<u>47,600</u>	<u>0</u>	<u>83,000</u>	<u>0</u>	<u>163,000</u>
787	2,328	(14,083)	(714)	(1,997)
<u>1,259</u>	<u>15,655</u>	<u>43,323</u>	<u>20,466</u>	<u>111,914</u>
<u>\$2,046</u>	<u>\$17,983</u>	<u>\$29,240</u>	<u>\$19,752</u>	<u>\$109,917</u>

VILLAGE OF SARDINIA, BROWN COUNTY
*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$10,200	\$10,200	\$11,249	\$1,049
Intergovernmental	29,600	29,600	21,230	(8,370)
Fines, Licenses and Permits	10,100	10,100	10,936	836
Earnings on Investments	2,900	2,900	662	(2,238)
Miscellaneous	500	500	1,102	602
<i>Total Receipts</i>	53,300	53,300	45,179	(8,121)
<u>Disbursements:</u>				
<i>Current:</i>				
General Government	76,660	76,660	58,485	18,175
Security of Persons and Property	8,400	8,400	8,375	25
Public Health Services	2,200	2,200	2,200	0
<i>Debt Service:</i>				
Principal Retirement	0	0	75,000	(75,000)
Interest and Fiscal Charges	1,040	1,040	1,678	(638)
<i>Total Disbursements</i>	88,300	88,300	145,738	(57,438)
<i>Excess of Receipts Over (Under) Disbursements</i>	(35,000)	(35,000)	(100,559)	(65,559)
<u>Other Financing Sources (Uses):</u>				
Issuance of Bond Anticipation Notes	5,000	5,000	70,000	65,000
Transfers In	80,000	80,000	61,600	(18,400)
Transfers Out	(50,000)	(50,000)	(37,600)	12,400
<i>Total Other Financing Sources (Uses)</i>	35,000	35,000	94,000	59,000
<i>Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</i>	0	0	(6,559)	(6,559)
<i>Fund Balance at Beginning of Year</i>	6,029	6,029	6,029	0
Prior Year Encumbrances Appropriated	1,069	1,069	1,069	0
<i>Fund Balance at End of Year</i>	\$7,098	\$7,098	\$539	(\$6,559)

See accompanying notes to the basic financial statements.

VILLAGE OF SARDINIA, BROWN COUNTY
*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Street Operating Fund
For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Receipts:</u>				
Intergovernmental	\$42,236	\$42,236	\$43,047	\$811
Earnings on Investments	0	0	34	34
Miscellaneous	0	0	308	308
<i>Total Receipts</i>	<u>42,236</u>	<u>42,236</u>	<u>43,389</u>	<u>1,153</u>
<u>Disbursements:</u>				
<i>Current:</i>				
General Government	500	500	184	316
Transporation	36,736	36,736	42,079	(5,343)
Capital Outlay	5,000	5,000	2,701	2,299
<i>Total Disbursements</i>	<u>42,236</u>	<u>42,236</u>	<u>44,964</u>	<u>(2,728)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	0	0	(1,575)	(1,575)
<i>Fund Balance at Beginning of Year</i>	18,825	18,825	18,825	0
Prior Year Encumbrances Appropriated	436	436	436	0
<i>Fund Balance at End of Year</i>	<u>\$19,261</u>	<u>\$19,261</u>	<u>\$17,686</u>	<u>(\$1,575)</u>

See accompanying notes to the basic financial statements.

VILLAGE OF SARDINIA, BROWN COUNTY
*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Street Levy Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$21,200	\$21,200	\$19,458	(\$1,742)
Intergovernmental	0	0	809	809
<i>Total Receipts</i>	21,200	21,200	20,267	(933)
<u>Disbursements:</u>				
<i>Current:</i>				
Transportation	3,000	3,000	1,477	1,523
Capital Outlay	8,300	8,300	3,975	4,325
<i>Total Disbursements</i>	11,300	11,300	5,452	5,848
<i>Excess of Receipts Over (Under) Disbursements</i>	9,900	9,900	14,815	4,915
<i>Fund Balance at Beginning of Year</i>	4,477	4,477	4,477	0
<i>Fund Balance at End of Year</i>	\$14,377	\$14,377	\$19,292	\$4,915

See accompanying notes to the basic financial statements.

VILLAGE OF SARDINIA, BROWN COUNTY
*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Income Tax Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Income Taxes	\$80,106	\$80,106	\$72,048	(\$8,058)
<i>Total Receipts</i>	80,106	80,106	72,048	(8,058)
<u>Disbursements:</u>				
<i>Current:</i>				
General Government	10,106	10,106	9,918	188
<i>Total Disbursements</i>	10,106	10,106	9,918	188
<i>Excess of Receipts Over (Under) Disbursements</i>	70,000	70,000	62,130	(7,870)
<u>Other Financing Sources (Uses):</u>				
Transfers Out	(70,000)	(70,000)	(61,600)	8,400
<i>Total Other Financing Sources (Uses)</i>	(70,000)	(70,000)	(61,600)	8,400
<i>Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</i>	0	0	530	530
<i>Fund Balance at Beginning of Year</i>	269	269	269	0
Prior Year Encumbrances Appropriated	106	106	106	0
<i>Fund Balance at End of Year</i>	\$375	\$375	\$905	\$530

See accompanying notes to the basic financial statements.

VILLAGE OF SARDINIA, BROWN COUNTY
*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Police Operating Fund
For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Receipts:</u>				
Property Taxes	\$35,150	\$35,150	\$31,125	(\$4,025)
Intergovernmental	1,000	1,000	122	(878)
Miscellaneous	6,623	6,623	19,583	12,960
<i>Total Receipts</i>	<u>42,773</u>	<u>42,773</u>	<u>50,830</u>	<u>8,057</u>
<u>Disbursements:</u>				
<i>Current:</i>				
General Government	3,500	3,500	3,474	26
Security of Persons and Property	82,023	82,023	64,016	18,007
Capital Outlay	5,000	5,000	2,962	2,038
<i>Debt Service:</i>				
Principal Retirement	0	0	19,000	(19,000)
Interest and Fiscal Charges	0	0	425	(425)
<i>Total Disbursements</i>	<u>90,523</u>	<u>90,523</u>	<u>89,877</u>	<u>646</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(47,750)	(47,750)	(39,047)	8,703
<u>Other Financing Sources (Uses):</u>				
Transfers In	43,750	43,750	37,600	(6,150)
<i>Total Other Financing Sources (Uses)</i>	<u>43,750</u>	<u>43,750</u>	<u>37,600</u>	<u>(6,150)</u>
<i>Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</i>	(4,000)	(4,000)	(1,447)	2,553
<i>Fund Balance at Beginning of Year</i>	(364)	(364)	(364)	0
Prior Year Encumbrances Appropriated	1,623	1,623	1,623	0
<i>Fund Balance at End of Year</i>	<u>(\$2,741)</u>	<u>(\$2,741)</u>	<u>(\$188)</u>	<u>\$2,553</u>

See accompanying notes to the basic financial statements.

VILLAGE OF SARDINIA, BROWN COUNTY
*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Fire Operating Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Receipts:</u>				
Property Taxes	\$11,650	\$11,650	\$10,950	(\$700)
Intergovernmental	0	0	769	769
Charges for Services	2,950	2,950	27,320	24,370
Miscellaneous	0	0	717	717
<i>Total Receipts</i>	<u>14,600</u>	<u>14,600</u>	<u>39,756</u>	<u>25,156</u>
<u>Disbursements:</u>				
<i>Current:</i>				
General Government	8,080	8,080	7,961	119
Security of Persons and Property	33,822	33,822	29,467	4,355
<i>Total Disbursements</i>	<u>41,902</u>	<u>41,902</u>	<u>37,428</u>	<u>4,474</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(27,302)	(27,302)	2,328	29,630
<i>Fund Balance at Beginning of Year</i>	<u>15,655</u>	<u>15,655</u>	<u>15,655</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>(\$11,647)</u>	<u>(\$11,647)</u>	<u>\$17,983</u>	<u>\$29,630</u>

See accompanying notes to the basic financial statements.

VILLAGE OF SARDINIA, BROWN COUNTY

Statement of Fund Net Assets - Cash Basis

Proprietary Funds

December 31, 2004

	Water Operating	Sewer Operating	Other Enterprise Funds	Total
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	<u>\$11,642</u>	<u>\$35,024</u>	<u>\$25,418</u>	<u>\$72,084</u>
<i>Total Assets</i>	<u><u>\$11,642</u></u>	<u><u>\$35,024</u></u>	<u><u>\$25,418</u></u>	<u><u>\$72,084</u></u>
<u>Net Assets:</u>				
Unrestricted	<u>\$11,642</u>	<u>\$35,024</u>	<u>\$25,418</u>	<u>\$72,084</u>
<i>Total Net Assets</i>	<u><u>\$11,642</u></u>	<u><u>\$35,024</u></u>	<u><u>\$25,418</u></u>	<u><u>\$72,084</u></u>

See accompanying notes to the basic financial statements.

VILLAGE OF SARDINIA, BROWN COUNTY
Statement of Receipts, Disbursements and Changes in Cash Basis Fund Balances
Proprietary Funds
For the Year Ended December 31, 2004

	Water Operating	Sewer Operating	Other Enterprise Funds	Total Enterprise Funds
<u>Operating Receipts:</u>				
Charges for Services	\$146,953	\$142,372	\$43,071	\$332,396
<i>Total Operating Receipts</i>	<u>146,953</u>	<u>142,372</u>	<u>43,071</u>	<u>332,396</u>
<u>Operating Disbursements:</u>				
Personal Services	34,586	30,051	0	64,637
Employee Fringe Benefits	5,116	7,692	0	12,808
Contractual Services	71,118	53,440	34,158	158,716
Supplies and Materials	7,594	37,285	4,000	48,879
Other	982	2,619	555	4,156
<i>Total Operating Disbursements</i>	<u>119,396</u>	<u>131,087</u>	<u>38,713</u>	<u>289,196</u>
<i>Operating Income (Loss)</i>	27,557	11,285	4,358	43,200
<u>Non-Operating Receipts (Disbursements)</u>				
OWDA Loans	0	118,557	0	118,557
Issuance of Bond Anticipation Notes	0	20,000	0	20,000
Miscellaneous Receipts	1,262	0	0	1,262
Capital Outlay	0	(94,899)	(20,152)	(115,051)
Principal Payments	(11,344)	(43,411)	0	(54,755)
Interest and Fiscal Charges	(14,775)	(11,175)	0	(25,950)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(24,857)</u>	<u>(10,928)</u>	<u>(20,152)</u>	<u>(55,937)</u>
<i>Change in Net Assets</i>	2,700	357	(15,794)	(12,737)
<i>Net Assets at Beginning of Year</i>	<u>8,942</u>	<u>34,667</u>	<u>41,212</u>	<u>84,821</u>
<i>Net Assets at End of Year</i>	<u><u>\$11,642</u></u>	<u><u>\$35,024</u></u>	<u><u>\$25,418</u></u>	<u><u>\$72,084</u></u>

See accompanying notes to the basic financial statements.

VILLAGE OF SARDINIA – BROWN COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 1 – Reporting Entity

The Village of Sardinia, Brown County, Ohio, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected six-member Council. The Village provides road maintenance, police and fire protection, water and sewer utilities and refuse collection.

The primary government consists of all departments, boards and agencies that are not legally separate from the Village.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does apply FASB statements issued after November 30, 1989, to its business-type activities and enterprise funds to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are generally financed through charges for services and grants.

The statement of net assets presents the cash balance of the governmental activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Village's general receipts.

VILLAGE OF SARDINIA – BROWN COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories, governmental and proprietary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. Governmental funds focus on the sources, uses, and balances of current financial resources.

The following are the Village's major governmental funds:

General Fund – This fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Street Operating Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Street Levy Fund - This fund is used to account for receipts from property taxes levied by the Village to pay for constructing, maintaining and repairing Village streets.

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.

Police Operating Fund – This fund's income is derived from taxes levied by the Village to pay the salaries of Village police officers.

Fire Operating Fund – This fund is comprised of taxes designated for the operation of the fire department.

Fire Capital Fund – This fund is used to account for receipts from fire contracts with neighboring townships for the purchase of fire equipment.

VILLAGE OF SARDINIA – BROWN COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies (continued)

Proprietary Funds

The proprietary fund focus in on the determination of the change in net assets, financial position and cash flows. The Villages' proprietary funds are classified as enterprise. Enterprise funds may be used to account for any activities for which a fee is charged to external users for goods or services.

The following are the Village's proprietary funds:

Water Operating Fund – This fund receive charges for services from residents to cover the cost of providing this utility.

Sewer Operating Fund – This fund receive charges for services from residents to cover the cost of providing this utility.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village may appropriate.

The appropriations ordinance is the Village's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Village. The legal level of control has been established at the fund level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village during the year.

VILLAGE OF SARDINIA – BROWN COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies (continued)

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2005, the Village invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposit are reported at cost.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$1,172 which includes interest earned from other funds.

F. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

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

H. Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

VILLAGE OF SARDINIA – BROWN COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies (continued)

K. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for state grants reported in special revenue funds.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

N. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Prior Period Adjustment and Change in Basis of Accounting

Change in Basis of Accounting

At December 31, 2003, the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. For 2005 and 2004, the Village has implemented the modified cash basis of accounting described in Note 2. For 2005 and 2004, the Village has implemented GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus," GASB Statement No. 38 "Certain Financial Statement Note Disclosures," GASB Statement No. 40, "Deposit and Investment Risk Disclosures." The implementation of GASB Statement No. 40 had some effect on the disclosure requirements, however, there was no effect on the prior period fund balances of the Village. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance –

VILLAGE OF SARDINIA – BROWN COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 4 – Budgetary Basis of Accounting (continued)

Budget and Actual – Budgetary Basis presented for the General Fund, Street Operating Fund, Income Tax Fund, Police Operating Fund and Fire Operating Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The only difference between the budgetary basis and the cash basis is the encumbrances are treated as expenditures for all funds (budgetary basis) rather than as a reservation of fund balance (cash basis).

The following table summarizes the adjustments necessary to reconcile the budgetary basis and cash basis statements for the General Fund and major special revenue funds for the year ended December 31, 2005:

Excess of Revenue and Other Financing Sources Over (Under) Expenditures and other Financing Uses/Net Change in Fund Balances			
	Budget Basis	Encumbrances	Cash Basis
General	\$7,512	\$1,160	\$8,672
Street Operating	3,137	528	3,665
Income Tax	3,798	0	3,798
Police Operating	544	323	2,221
Fire Operating	12,353	0	12,353

The following table summarizes the adjustments necessary to reconcile the budgetary basis and cash basis statements for the General Fund and major special revenue funds for the year ended December 31, 2004:

Excess of Revenue and Other Financing Sources Over (Under) Expenditures and other Financing Uses/Net Change in Fund Balances			
	Budget Basis	Encumbrances	Cash Basis
General	(\$6,559)	\$1,411	(\$5,148)
Street Operating	(1,575)	935	(640)
Street Levy	14,815	0	14,815
Income Tax	530	128	658
Police Operating	(1,447)	2,234	787
Fire Operating	2,328	0	2,328

Note 5 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

VILLAGE OF SARDINIA – BROWN COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 5 – Deposits and Investments (continued)

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investment may be made only upon delivery of the securities representing the investments to the treasurer of qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and GASB Statement No. 40, "Deposits and Investment Risk Disclosures."

Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the Village's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Village.

At December 31, 2005, the carrying amount of all Village deposits was \$188,735. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of December 31, 2005, \$110,646 of the Village's bank balance of \$210,646 was exposed to custodial risk as discussed above, while \$100,000 was covered by Federal Deposit Insurance. The \$110,646 exposed to custodial risk was collateralized with securities held by the Village or its agency in the Village's name.

VILLAGE OF SARDINIA – BROWN COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 5 – Deposits and Investments (continued)

At December 31, 2004, the carrying amount of all Village deposits was \$182,001. Based on the criteria described in GASB Statement No. 40, “Deposit and Investment Risk Disclosures”, as of December 31, 2004, \$91,738 of the Village’s bank balance of \$191,738 was exposed to custodial risk as discussed above, while \$100,000 was covered by Federal Deposit Insurance. The \$91,738 exposed to custodial risk was collateralized with securities held by the Village or its agency in the Village’s name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105% of the deposits being secured.

Note 6 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which rate are adopted by Village Council. The Sate Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the county by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

Note 7 – Income Tax

The Village levies a municipal income tax of ½ percent on substantially all earned income arising from employment, residency, or business activities within the village as well as certain income from residents earned outside 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.

Note 8 – Risk Management

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Commercial Inland Marine

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

VILLAGE OF SARDINIA – BROWN COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 9 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Village's contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 12 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Village's contribution rate for pension benefits for 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 12 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available financial report that includes financial information and required supplementary information. This report may be obtained by writing to Ohio Police & Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43125-5164 or by calling (614) 228-2975.

VILLAGE OF SARDINIA – BROWN COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 9 – Defined Benefit Pension Plan - (continued)

Plan members are required to contribute 10.0% of their annual covered salary to fund pension benefits, while the Village is required to contribute 11.75% and 16.25%, respectively, for police officer and firefighters. Contributions are authorized by state statute.

Note 10 - Postemployment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care. The 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. The actual contribution and the actuarially required contribution amounts are the same. The actual value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Ohio Police and Fire Pension Fund

The OP&F System of Ohio provides access to postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

VILLAGE OF SARDINIA – BROWN COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 10 - Postemployment Benefits - (continued)

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F shall be included in the employer's contribution rate, which is 19.5% of covered payroll for police officers and 24.0% of covered payroll for firefighters. Of these employer contribution rates for the City, 7.75% was applied to the postemployment health care program.

The Ohio Revised Code provides the statutory authority allowing the OP&F Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on the pay-as-you go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75% of covered payroll in 2004 and 2005. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

As of December 31, 2004, the latest information available, the number of participants eligible to receive health care benefits was 13,812 for police officers and 10,528 for firefighters. OP&F's total health care expenses for the year ended December 31, 2004, the date of the last actuarial valuation available, was \$102,173,796, which was net of member contributions of \$55,665,341.

Note 11 - Debt

A summary of the debt transactions for the year ended December 31, 2004, follows:

	Interest Rate	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004
<i>Governmental Activities:</i>					
Police Cruiser Note	5.37%	\$19,000	\$0	\$19,000	\$0
Municipal Building Note	2.25%	75,000	0	75,000	0
Fire Rescue Truck Note	2.25%	125,000	0	125,000	0
Police Cruiser Note	5.37%	0	10,000	0	10,000
Municipal Building Note	2.25%	0	70,000	0	70,000
Fire Rescue Truck Note	2.25%	0	83,000	0	83,000
Total Governmental Activities		<u>\$219,000</u>	<u>\$163,000</u>	<u>\$219,000</u>	<u>\$163,000</u>
<i>Business-Type Activities:</i>					
Sewer Improvement Note	2.25%	\$25,000	\$0	\$25,000	\$0
Sewer Improvement Note	2.25%	0	20,000	0	20,000
OWDA Loan	6.25%	169,835	0	18,411	151,424
OWDA Construction Loan	n/a	171,338	118,557	0	289,895
Water Mortgage Revenue Bonds	5.90%	430,000	0	11,344	418,656
Total Business-Type Activities		<u>\$796,173</u>	<u>\$138,557</u>	<u>\$54,755</u>	<u>\$879,975</u>

VILLAGE OF SARDINIA – BROWN COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 11 - Debt - (continued)

A summary of the debt transactions for the year ended December 31, 2005, follows:

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005
<i><u>Governmental Activities:</u></i>					
Police Cruiser Note	5.37%	\$10,000	\$0	\$10,000	\$0
Municipal Building Note	2.25%	70,000	0	70,000	0
Fire Rescue Truck Note	2.25%	83,000	0	83,000	0
Municipal Building Note	2.25%	0	65,000	0	65,000
Fire Rescue Truck Note	2.25%	0	73,000	0	73,000
Total Governmental Activities		<u>\$163,000</u>	<u>\$138,000</u>	<u>\$163,000</u>	<u>\$138,000</u>
<i><u>Business-Type Activities:</u></i>					
Sewer Improvement Note	2.25%	\$20,000	\$0	\$20,000	\$0
Sewer Improvement Note	2.25%	0	15,000	0	15,000
OWDA Loan	6.25%	151,424	0	19,562	131,862
OWDA Construction Loan	n/a	289,895	168,355	0	458,250
Water Mortgage Revenue Bonds	5.90%	418,656	0	11,984	406,672
Total Business-Type Activities		<u>\$879,975</u>	<u>\$183,355</u>	<u>\$51,546</u>	<u>\$1,011,784</u>

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 revenue. The Village has agreed to set utility rates sufficient to cover the OWDA debt service requirements. The loan is being repaid from the Sewer Operating Fund.

The OWDA Construction Loan relates to the wastewater treatment plant improvement project. During 2004 and 2005, the Village received \$118,557 and \$168,355, respectively, from the OWDA that was then disbursed by the Village for the project. The project is currently ongoing and additional draws are being made. A final loan amount or amortization schedule is currently not available.

In 1994, the Village issued mortgage revenue bonds in the principal amount of \$500,000 at a rate of 4.5 – 6.875%. The Series 1994 bonds were issued for the purpose of making improvements to the Village water system. The bonds are payable over 30 years and are collateralized by water and sewer revenues. The bonds are being repaid from the Water Operating Fund.

In 2005, the Village issued three bond anticipation notes totaling \$153,000. The proceeds of the notes were used to repay notes issued in the previous year. These are one year notes which the Village anticipates will be renewed for one year. These notes were originally issued to purchase a police cruiser and fire truck, and make improvements to the Village administration building and sewer system. These notes are general obligations of the Village. These notes will be repaid from the General, Fire Capital, and Sewer Operating Funds.

VILLAGE OF SARDINIA – BROWN COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 11 - Debt - (continued)

Amortization of the above debt (except the OWDA Construction Loan for which an amortization schedule has not been set), including interest, is scheduled as follows:

<u>Year Ending December 31</u>	<u>OWDA Loan</u>	<u>Mortgage Revenue Bonds</u>	<u>Bond Anticipation Notes</u>
2006	\$29,025	\$34,068	\$156,442
2007	29,025	34,068	0
2008	29,025	34,068	0
2009	29,025	34,068	0
2010	29,025	34,068	0
2011 – 2015	14,513	170,339	0
2016 – 2020	0	170,339	0
2021 – 2023	0	119,238	0
Total Debt Payments	159,638	630,256	156,442
Less: Amount Representing Interest	27,776	223,584	3,442
Total Principal	<u>\$131,862</u>	<u>\$406,672</u>	<u>\$153,000</u>

Note 12 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors 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.

**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Required by
Government Auditing Standards**

Village Council
Village of Sardinia, Brown County
151 Maple Ave.
Sardinia, Ohio 45171

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Sardinia, Brown County, Ohio, as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Village's basic financial statements and have issued our report thereon dated January 10, 2007, which we noted the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, GASB Statement No. 38 *Certain Financial Statement Note Disclosures* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. As discussed in Note 2, the Village followed the cash basis of accounting, which is a comprehensive basis other than accounting principles generally accepted in the United States of America. The report on governmental activities, business-type activities, each major fund and the aggregate fund information was qualified due to a scope limitation as the result of some records and supporting documentation being unavailable for examination. Except as discussed in preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

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 opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting that we deem reportable conditions. 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 initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2005-001 and 2005-002.

A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

Village Council
Village of Sardinia, Brown County
Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Required by
Government Auditing Standards

Compliance and Other Matters

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 or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2005-003, 2005-004 and 2005-005.

We also noted certain additional matters that we have reported to management of the Village in a separate letter dated January 10, 2007.

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

January 10, 2007

VILLAGE OF SARDINIA, BROWN COUNTY
Schedule of Findings
For the Year Ended December 31, 2005 and 2004

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

Finding Number 2005-001

Reportable Condition - Record Retention

During testing, the Village was unable to provide a complete set of records and supporting documentation. Most of the records and supporting documentation for utility billing and receipts for the year ended December 31, 2005, some of the bank statements and reconciliations for a portion of the year ended December 31, 2004, and a few other various supporting documents were not available for examination. These records were not lost, but were damaged in storage to the point that they were unavailable for review. We were unable to perform certain generally accepted auditing procedures, including testing of some internal controls.

Supporting documentation is needed for testing and to support amounts and disclosures included in the financial statements. We recommend that the Village properly maintain records and supporting documentation, and that arrangements are made to securely and safely store such items.

Officials' Response

We did not receive a response from the Officials of the Village to this finding.

Finding Number 2005-002

Reportable Condition - Bond and Payout Schedules

The Bond and Payout Schedules that the Mayor's Court used to determine the fines and costs to charge for violations were not approved by Village Council. Ohio Rev. Code 1907.10 states that Mayors retain jurisdiction in all criminal cases involving the violation of ordinances of their respective municipal corporations. Without the Schedule being approved by the Village Council, they are not official. To avoid any possible liability to the Village, we recommend that the Village Council immediately approve a Bond and Payout Schedule and document their approval in the minute records. Council should contact their solicitor to determine what, if any, action they should take to approve the Bond and Payout Schedule used previously by the Mayor's Court. The Mayor's Court should only collect fines and costs that have been approved by the Village Council.

Officials' Response

We did not receive a response from the Officials of the Village to this finding.

VILLAGE OF SARDINIA, BROWN COUNTY
Schedule of Findings
For the Year Ended December 31, 2005 and 2004

Finding Number 2005-003

Noncompliance Citation - ORC 5705.36

Section 5705.36 of the Ohio Revised Code, in summary, states that each subdivision is allowed to request increased or decreased amended certificates of estimated resources upon determination of the fiscal officer that revenue collected will be greater or less than the amount in the official certificate of estimated resources.

The Village had estimated resources that were more than the actual amounts received in the General, Cemetery, Police Operating, Debt Service, Water, and Sewer Funds during 2005 and in the Cemetery, Income Tax, Law Enforcement, Debt Service, Water and Trash Funds during 2004. This could lead to the Village appropriating more than is actually available to spend in these same funds. Estimated resources should be reduced when actual revenues are determined to be lower than expected.

We recommend that the Village closely monitor the receipts of each fund and when it is determined that receipts will fall short of estimates, that a request for amended certificate be filed and an amendment to the appropriations be made, if needed, to prevent any fund from being overspent.

Officials' Response

We did not receive a response from the Officials of the Village to this finding.

Finding Number 2005-004

Noncompliance Citation - ORC 5705.39

Section 5705.39 of the Ohio Revised Code, in summary, states that for each subdivision the total appropriations from each fund shall not exceed the total estimated resources.

The Village had appropriations that exceeded estimated resources in the Fire Capital Projects Fund during 2005 and in the Police Operating and Fire Operating Funds during 2004. This could lead to the Village appropriating more than is actually available to spend in these same funds. Appropriations should be reduced when estimated resources are determined to be lower than the current appropriation level.

We recommend that the Village closely monitor the receipts and appropriations of each fund and when it is determined that estimated resources will fall short of estimates, that a request for an amendment to the appropriations be made, if needed, to prevent any fund from being overspent.

Officials' Response

We did not receive a response from the Officials of the Village to this finding.

VILLAGE OF SARDINIA, BROWN COUNTY
Schedule of Findings
For the Year Ended December 31, 2005 and 2004

Finding Number 2005-005

Noncompliance Citation - ORC 5705.41(B)

Section 5705.41(B) of the Ohio Revised Code, in summary, states that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Village had expenditures that exceeded appropriations in the Street Levy, Income Tax, Police Operating, Water, and Trash Funds during 2005 and in the General, Street Operating, Cemetery, Fire Capital Projects and Sewer Funds during 2004. This could lead to the Village expending more than is actually available to spend in these same funds, which could cause to these funds to carry a negative balance.

The Village should not certify the availability of funds and should deny payment requests exceeding appropriations. The Village may approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Officials' Response

We did not receive a response from the Officials of the Village to this finding.

VILLAGE OF SARDINIA, BROWN COUNTY
Schedule of Prior Audit Findings
For the Year Ended December 31, 2005 and 2004

Description	Status	Comments
<i>Government Auditing Standards:</i>		
1. ORC 5705.41(D) - Money is not to be spent unless a certificate of the fiscal officer has been signed stating that the funds have been appropriated and is in the treasury.	Corrected	N/A
2. ORC 5705.41 (B) - Subdivision may not make expenditure unless it has been properly appropriated.	Not fully corrected	See Finding 2005-005
3. Reportable Condition - Maintaining a citation log for all citations issued.	Corrected	A citation log is now being kept.
4. ORC 1907.10 - Bond and Payout Schedules must be approved by Village Council.	Not fully Corrected	See Finding 2005-002
5. Reportable Condition - Errors in posting receipt and disbursement amounts to the proper account classifications.	Corrected	N/A
6. Reportable Condition - Enforcement of tax filing including supporting documents and auditing procedures by the Income Tax Clerk.	Corrected	N/A



Mary Taylor, CPA
Auditor of State

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
MAY 10, 2007**