

**VILLAGE OF SARDINIA
BROWN COUNTY
Regular Audit
For the Years Ended December 31, 2013 and 2012**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Village Council
Village of Sardinia
151 Maple Avenue
Sardinia, Ohio 45171

We have reviewed the *Independent Auditor's Report* of the Village of Sardinia, Brown County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2012 through December 31, 2013. 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.

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

Dave Yost
Auditor of State

August 11, 2014

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VILLAGE OF SARDINIA
BROWN COUNTY

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INDEPENDENT AUDITOR'S REPORT

June 20, 2014

Village of Sardinia
Brown County
151 Maple Avenue
Sardinia, Ohio 45171

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the **Village of Sardinia**, Brown County, (the Village) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Sardinia, Brown County, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF SARDINIA
BROWN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts					
Property and Other Local Taxes	\$ 5,861	\$ 46,485	\$ -	\$ -	\$ 52,346
Municipal Income Tax	-	146,203	-	-	146,203
Intergovernmental	51,972	34,224	-	-	86,196
Charges for Services	-	57,637	16,000	-	73,637
Fines, Licenses and Permits	45,075	7,988	-	-	53,063
Miscellaneous	3,209	2,286	-	-	5,495
<i>Total Cash Receipts</i>	<u>106,117</u>	<u>294,823</u>	<u>16,000</u>	<u>-</u>	<u>416,940</u>
Cash Disbursements					
Current:					
Security of Persons and Property	13,255	103,237	-	-	116,492
Public Health Services	1,530	15,555	-	-	17,085
Transportation	-	33,580	-	-	33,580
General Government	98,416	18,652	-	-	117,068
Capital Outlay	25,272	20,201	-	-	45,473
Debt Service:					
Principal Retirement	25,272	7,633	-	-	32,905
Interest and Fiscal Charges	228	1,091	-	-	1,319
<i>Total Cash Disbursements</i>	<u>163,973</u>	<u>199,949</u>	<u>-</u>	<u>-</u>	<u>363,922</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(57,856)</u>	<u>94,874</u>	<u>16,000</u>	<u>-</u>	<u>53,018</u>
Other Financing Receipts (Disbursements)					
Note Proceeds	25,272	-	-	-	25,272
Transfers In	130,000	70,000	-	-	200,000
Transfers Out	(70,000)	(130,000)	-	-	(200,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>85,272</u>	<u>(60,000)</u>	<u>-</u>	<u>-</u>	<u>25,272</u>
<i>Net Change in Fund Cash Balances</i>	27,416	34,874	16,000	-	78,290
<i>Fund Cash Balances, January 1</i>	<u>61,133</u>	<u>193,716</u>	<u>20,377</u>	<u>6,375</u>	<u>281,601</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	6,375	6,375
Restricted	-	228,590	36,377	-	264,967
Assigned	55	-	-	-	55
Unassigned	88,494	-	-	-	88,494
<i>Fund Cash Balances, December 31</i>	<u>\$ 88,549</u>	<u>\$ 228,590</u>	<u>\$ 36,377</u>	<u>\$ 6,375</u>	<u>\$ 359,891</u>

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

**VILLAGE OF SARDINIA
BROWN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts			
Charges for Services	\$ 616,156	\$ -	\$ 616,156
<i>Total Operating Receipts</i>	<u>616,156</u>	<u>-</u>	<u>616,156</u>
Operating Cash Disbursements			
Personal Services	77,399	-	77,399
Employee Fringe Benefits	21,549	-	21,549
Contractual Services	253,228	-	253,228
Supplies and Materials	67,606	-	67,606
Other	6,705	-	6,705
<i>Total Operating Cash Disbursements</i>	<u>426,487</u>	<u>-</u>	<u>426,487</u>
<i>Operating Income</i>	<u>189,669</u>	<u>-</u>	<u>189,669</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	8	-	8
Miscellaneous	7,253	-	7,253
Capital Outlay	(24,119)	-	(24,119)
Principal Retirement	(107,948)	-	(107,948)
Interest and Fiscal Charges	(50,827)	-	(50,827)
Other Non-Operating Receipts	-	71,942	71,942
Other Non-Operating Disbursements	-	(70,441)	(70,441)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(175,633)</u>	<u>1,501</u>	<u>(174,132)</u>
<i>Income before Transfers</i>	<u>14,036</u>	<u>1,501</u>	<u>15,537</u>
Transfer-In	214,500	-	214,500
Transfer-Out	(214,500)	-	(214,500)
<i>Net Change in Fund Cash Balances</i>	14,036	1,501	15,537
<i>Fund Cash Balances, January 1</i>	<u>349,465</u>	<u>3,146</u>	<u>352,611</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 363,501</u>	<u>\$ 4,647</u>	<u>\$ 368,148</u>

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

**VILLAGE OF SARDINIA
BROWN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts					
Property and Other Local Taxes	\$ 5,841	\$ 48,529	\$ -	\$ -	\$ 54,370
Municipal Income Tax	-	120,971	-	-	120,971
Intergovernmental	17,168	34,814	-	-	51,982
Charges for Services	-	74,964	11,000	-	85,964
Fines, Licenses and Permits	25,672	12,796	-	-	38,468
Earnings on Investments	25	-	-	-	25
Miscellaneous	-	1,735	-	-	1,735
<i>Total Cash Receipts</i>	<u>48,706</u>	<u>293,809</u>	<u>11,000</u>	<u>-</u>	<u>353,515</u>
Cash Disbursements					
Current:					
Security of Persons and Property	11,655	119,142	-	-	130,797
Public Health Services	1,795	13,516	-	-	15,311
Transportation	-	31,054	-	-	31,054
General Government	78,687	28,754	-	-	107,441
Capital Outlay	-	24,103	-	-	24,103
Debt Service:					
Principal Retirement	-	7,421	-	-	7,421
Interest and Fiscal Charges	-	1,402	-	-	1,402
<i>Total Cash Disbursements</i>	<u>92,137</u>	<u>225,392</u>	<u>-</u>	<u>-</u>	<u>317,529</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(43,431)</u>	<u>68,417</u>	<u>11,000</u>	<u>-</u>	<u>35,986</u>
Other Financing Receipts (Disbursements)					
Bond Proceeds	-	10,400	-	-	10,400
Transfers In	130,000	68,134	-	-	198,134
Transfers Out	(68,000)	(130,134)	-	-	(198,134)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>62,000</u>	<u>(51,600)</u>	<u>-</u>	<u>-</u>	<u>10,400</u>
<i>Net Change in Fund Cash Balances</i>	18,569	16,817	11,000	-	46,386
<i>Fund Cash Balances, January 1</i>	<u>42,564</u>	<u>176,899</u>	<u>9,377</u>	<u>6,375</u>	<u>235,215</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	6,375	6,375
Restricted	-	193,716	20,377	-	214,093
Assigned	977	-	-	-	977
Unassigned	60,156	-	-	-	60,156
<i>Fund Cash Balances, December 31</i>	<u>\$ 61,133</u>	<u>\$ 193,716</u>	<u>\$ 20,377</u>	<u>\$ 6,375</u>	<u>\$ 281,601</u>

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

**VILLAGE OF SARDINIA
BROWN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts			
Charges for Services	\$ 659,007	\$ -	\$ 659,007
<i>Total Operating Receipts</i>	<u>659,007</u>	<u>-</u>	<u>659,007</u>
Operating Cash Disbursements			
Personal Services	64,600	-	64,600
Employee Fringe Benefits	19,451	-	19,451
Contractual Services	264,719	-	264,719
Supplies and Materials	70,009	-	70,009
Other	10,611	-	10,611
<i>Total Operating Cash Disbursements</i>	<u>429,390</u>	<u>-</u>	<u>429,390</u>
<i>Operating Income</i>	<u>229,617</u>	<u>-</u>	<u>229,617</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	52	-	52
Miscellaneous	4,962	-	4,962
Note Proceeds	15,717	-	15,717
Capital Outlay	(49,279)	-	(49,279)
Principal Retirement	(111,359)	-	(111,359)
Interest and Fiscal Charges	(52,674)	-	(52,674)
Other Non-Operating Receipts	-	47,278	47,278
Other Non-Operating Disbursements	-	(44,429)	(44,429)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(192,581)</u>	<u>2,849</u>	<u>(189,732)</u>
<i>Income before Transfers</i>	<u>37,036</u>	<u>2,849</u>	<u>39,885</u>
Transfer-In	191,626	-	191,626
Transfer-Out	(191,626)	-	(191,626)
<i>Net Change in Fund Cash Balances</i>	<u>37,036</u>	<u>2,849</u>	<u>39,885</u>
<i>Fund Cash Balances, January 1</i>	<u>312,429</u>	<u>297</u>	<u>312,726</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 349,465</u>	<u>\$ 3,146</u>	<u>\$ 352,611</u>

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

**VILLAGE OF SARDINIA
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Sardinia, Brown County (the Village), as a body corporate and politic. A publicly elected six-member Council directs the Village. The Village provides road maintenance, water and sewer utilities, refuse collection, police protection and fire protection.

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

B. Accounting Basis

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village invests all available funds in a checking account and certificates of deposit.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

Income Tax Fund - This fund receives taxes from the enactment of a local income tax.

**VILLAGE OF SARDINIA
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Police Operating Fund - This fund receives taxes designated for the operation of the police department.

Fire Department Fund - This fund receives taxes designated for the operation of the fire department.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

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

4. Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant Permanent Fund:

Cemetery Bequest Fund - This nonexpendable trust fund maintains the trust corpus.

3. Enterprise Funds

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

Water Operating Fund - This fund receives charges for services from residents to cover service costs.

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

4. Fiduciary Funds (Agency Funds)

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

**VILLAGE OF SARDINIA
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

4. Fiduciary Funds (Agency Funds) (Continued)

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations, or other governments. The Village disburses these funds as directed by the individual, organization, or other government. The Village's agency fund accounts for Mayor's Court fines and forfeitures.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

**VILLAGE OF SARDINIA
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**VILLAGE OF SARDINIA
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

2. EQUITY IN POOLED DEPOSITS

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

	2013	2012
Demand Deposits	\$ 721,206	\$ 627,386
Certificates of Deposit	6,833	6,826
Total Deposits	\$ 728,039	\$ 634,212

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ -	\$ 261,389	\$ 261,389
Special Revenue	8,000	364,823	356,823
Capital Projects	-	16,000	16,000
Enterprise	-	837,917	837,917
Total	\$ 8,000	\$ 1,480,129	\$ 1,472,129

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 199,034	\$ 234,028	\$ (34,994)
Special Revenue	405,252	338,160	67,092
Capital Projects	31,500	-	31,500
Enterprise	980,734	831,192	149,542
Total	\$ 1,616,520	\$ 1,403,380	\$ 213,140

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ -	\$ 178,706	\$ 178,706
Special Revenue	-	372,343	372,343
Capital Projects	-	11,000	11,000
Enterprise	-	871,364	871,364
Total	\$ -	\$ 1,433,413	\$ 1,433,413

**VILLAGE OF SARDINIA
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 180,345	\$ 161,114	\$ 19,231
Special Revenue	395,886	356,335	39,551
Capital Projects	-	-	-
Enterprise	1,000,521	837,855	162,666
Total	\$ 1,576,752	\$ 1,355,304	\$ 221,448

Contrary to Ohio law, appropriations exceeded estimated resources plus beginning fund balances for the General, Special Revenue, Capital Projects and Enterprise Funds for the year ended December 31, 2013 and for the General, Special Revenue and Enterprise Funds for the year ended December 31, 2012. Also contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$34,994 for the year ended December 31, 2013.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

5. INCOME TAX

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

**VILLAGE OF SARDINIA
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

6. DEBT

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
OWDA Loan #4439	\$ 2,169,992	1.50%
OPWC Loan CO03I	363,560	0.00%
OPWC Loan CT53O	15,193	0.00%
Water System Refunding Bonds	322,043	4.79%
Police Cruiser Note - 2011	4,000	3.75%
Police Cruiser Note - 2013	7,800	3.50%
Dump Truck Lease-Purchase	26,229	5.00%
Total	\$ 2,908,817	

OWDA Loan #4439 relates to a wastewater treatment plant improvement project. During 2010, the Village received \$3,387 from the OWDA that was then disbursed by the Village for the project. The loan is scheduled to be paid off in 2038.

The OPWC Construction Loan #CO03I relates to the wastewater treatment plant improvement project. During 2009, OPWC made payments on behalf of the Village, directly to contractors, from the OPWC Loan Fund in the amount of \$398,643. The project is completed and the full loan approved by the OPWC is \$469,110. The loan will be repaid in semi-annual payments of \$11,728 over 20 years. This is a zero interest loan that will be repaid from the Sewer Fund.

The OPWC Construction Loan #CT53O relates to a water main improvements project. During 2012, OPWC made payments on behalf of the Village, directly to contractors, from the OPWC Loan Fund in the amount of \$15,509. The project is completed and the full loan approved by the OPWC is \$15,717. The loan will be repaid in semi-annual payments of \$262 over 30 years. This is a zero interest loan that will be repaid from the Water Fund.

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. In 2006, the Village issued \$412,300 in Water System Refunding Bonds to defease the remaining debt on the 1994 issue. The refunding bonds are payable over 24 years and are collateralized by water and sewer revenues. The bonds are being repaid from the Water Fund.

In 2011, the Village issued a note for the purchase of a new police cruiser which will be utilized by the Village’s police department. The total amount of the bond is \$10,000 and will be repaid over the next three years. The Bond will mature in 2014 and will be repaid from the Police Operating Fund.

In 2012, the Village issued a note for the purchase of a new police cruiser which will be utilized by the Village’s police department. The total amount of the bond is \$10,400 and will be repaid over the next four years. The Bond will mature in 2016 and will be repaid from the Police Operating Fund.

**VILLAGE OF SARDINIA
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

6. DEBT (Continued)

In 2011, the Village entered into a lease-purchase agreement for a dump truck which will be utilized by the Village's street department. The total amount of the lease-purchase agreement is \$69,608 and will be repaid over the next five years. The prior audit amount outstanding was incorrectly listed as \$69,608. The correct amount should have been reflected as \$46,006.

In July 2013, the Village issued a short-term 60 day note in the amount of \$25,272 which was utilized for the work being performed related to the Nature Works grant. The note was issued with a 3.75% interest rate and was paid off in September 2013 with a lump sum payment.

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

Year ending December 31:	OWDA	OPWC	Water System Refunding Bond	Police Cruiser Bonds	Dump Truck Lease- Purchase	Total
2014	\$ 108,001	\$ 23,980	\$ 29,273	\$ 7,023	\$ 14,618	\$ 182,895
2015	108,001	23,980	29,273	2,782	14,618	178,654
2016	108,001	23,980	29,272	2,691	-	163,944
2017	108,001	23,980	29,272	-	-	161,253
2018	108,001	23,980	29,272	-	-	161,253
2019-2023	540,005	119,897	146,362	-	-	806,264
2024-2028	540,005	119,897	146,362	-	-	806,264
2029-2033	540,005	14,348	15,211	-	-	569,564
2034-2038	486,004	2,619	-	-	-	488,623
2039-2043	-	2,092	-	-	-	2,092
Total	<u>\$ 2,646,024</u>	<u>\$ 378,753</u>	<u>\$ 454,297</u>	<u>\$ 12,496</u>	<u>\$ 29,236</u>	<u>\$ 3,520,806</u>

7. RETIREMENT SYSTEMS

The Village's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multi-employer plan. The Ohio Revised Code prescribes this plan's benefits, which includes postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries, and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

**VILLAGE OF SARDINIA
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

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

9. CONTINGENT LIABILITIES

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

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

June 20, 2014

Village of Sardinia
Brown County
203 East Main Street
Sardinia, Ohio 45168

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Village of Sardinia**, Brown County, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated June 20, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 and 2013-002 described in the accompanying schedule of audit findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as item 2013-002.

We also noted certain matters not requiring inclusion in this report that we communicated to management in a separate letter dated June 20, 2014.

Purpose of this Report

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



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF SARDINIA
BROWN COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-001

Material Weakness

Posting Receipts, Disbursements and Fund Balances

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code. Fund Balances should be properly classified based on Governmental Accounting Standards Board Statement No. 54.

Receipts, disbursements and fund balances were not always posted correctly. The following posting errors were noted:

- In 2013 and 2012, Intergovernmental receipts were misclassified as Property and Other Local Taxes in the General Fund.
- In 2013 and 2012, Fines, Licenses and Permits receipts related to Mayor’s Court activity were misclassified as Miscellaneous in the Drug Law Enforcement Fund.
- In 2013 and 2012, Principal Retirement and Interest and Other Fiscal Charges disbursements were incorrectly recorded on the Governmental Statement in a Debt Service Fund. Since these pieces of debt relate directly to the Water and Sewer Funds, the activity should be included with the Enterprise Funds mentioned previously.
- In 2013 and 2012, a portion of the fund balances at year in the General Fund were misclassified as Unassigned rather than Assigned.
- In 2013, an Intergovernmental grant receipt was misclassified as Miscellaneous in the General Fund.
- In 2013, Note Proceeds were misclassified as Miscellaneous and the corresponding Capital Outlay disbursements were misclassified as General Government in the General Fund. In 2012, Bond Proceeds and the corresponding Capital Outlay disbursements were not recorded in the Police Operating Fund. Also in 2012, Note Proceeds and the corresponding Capital Outlay disbursements were not recorded in the Water Fund.

Not posting disbursements or classifying Fund Balances accurately resulted in the financial statements requiring reclassifications and adjustments. The Village has agreed with and posted the adjustments to their accounting system. The financial statements reflect all reclassifications and the adjustments.

To help ensure accuracy and reliability in the financial reporting process, we recommend the management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all disbursements and Fund Balances are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Village Handbook for guidance to determine proper establishment of receipt and disbursement accounts and posting of receipts and disbursements. We also recommend the Fiscal Officer refer to Auditor of State Bulletin 2011-004 to determine proper classification of Fund Balances.

Management’s Response – We did not receive a response from officials to this finding.

**VILLAGE OF SARDINIA
BROWN COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-002

Material Weakness/Noncompliance

Budgetary Controls

The budget is an instrument of public policy: A governing board expresses its desires for using a government's limited resources through its appropriations. Ohio Rev. Code Section 5705 deals with a variety of budgetary requirements that all subdivisions must comply with in order to ensure fiscal responsibility.

In performing the audit we noted several violations of budgetary law which, although they do not in and of themselves, result in errors in financial reporting, may lead to the Village making financial decisions based on incorrect or incomplete information. We noted the following:

- Violations of 5705.36 indicating estimated resources were not properly certified;
- Violations of 5705.39 indicating appropriations cannot exceed estimated resources;
- Violations of 5705.41(B) stating no subdivision is to expend money unless it has been appropriated (expenditures exceeded appropriations);
- Violations of 5705.41(D) relating to expenditures having prior certification of availability of funds.

In addition, The Village did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by the Village Council and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system. This resulted in incorrect amounts posted to the accounting system and information available to Village officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate. We recommend the Village implement procedures to ensure appropriations and estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission after each amendment.

Council does not monitor for budgetary compliance. Although Council approves budgets for revenue and expenses and receives monthly reports of budget and actual information, it does not ensure budgetary forms are properly completed, submitted to the County Budget Commission timely or that transfers are done in compliance with laws and regulations. Council also has not assured that the accounting system is adequate to incorporate budgetary requirements.

Council should review the requirements of ORC section 5705 to be familiar with these laws and to make sure the Village is complying with applicable sections. We recommend the Village establish a procedure that ensures budgetary forms are submitted to the County accurately and timely. This could include a checklist of forms and due dates. Council should also consider the need to move from a manual system to a computerized system that will incorporate budgetary requirements. If the Council does not consider this necessary steps should be taken to make sure amounts are encumbered (purchase orders are used and assigned to each purchase prior to ordering), certifications of available funds are done by the Fiscal Officer prior to purchasing and unencumbered balances are tracked for each line item.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF SARDINIA
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Posting of Receipts and Disbursements	No	Repeated as 2013-001



Dave Yost • 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
AUGUST 21, 2014**