



Dave Yost • Auditor of State

VILLAGE OF SARDINIA
BROWN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Sardinia
Brown County
151 Maple Avenue
P.O. Box 27
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, Ohio (the Village) as of and for the years ended December 31, 2015 and 2014.

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 opinions.

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on the Governmental Activities* paragraph, the financial statements referred to above do not present fairly the financial position of the Village of Sardinia, Brown County, Ohio, as of December 2015 and 2014, or the changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Sardinia, Brown County, Ohio as of December 31, 2015 and 2014 and its 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2016, 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.



Dave Yost
Auditor of State

Columbus, Ohio

November 21, 2016

**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, 2015**

| | General | Special Revenue | Capital Projects | Permanent | Totals (Memorandum Only) |
|---|------------------|--------------------|---------------------|----------------|--------------------------------|
| Cash Receipts | | | | | |
| Property and Other Local Taxes | \$6,220 | \$49,264 | \$0 | \$0 | \$55,484 |
| Municipal Income Tax | | 143,491 | | | 143,491 |
| Intergovernmental | 11,908 | 45,145 | | | 57,053 |
| Charges for Services | | 36,501 | 16,000 | 994 | 53,495 |
| Fines, Licenses and Permits | 43,643 | 5,180 | | | 48,823 |
| Earnings on Investments | 1,024 | 60 | | | 1,084 |
| Miscellaneous | 15,798 | 3,838 | | | 19,636 |
| <i>Total Cash Receipts</i> | <u>78,593</u> | <u>283,479</u> | <u>16,000</u> | <u>994</u> | <u>379,066</u> |
| Cash Disbursements | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 13,785 | 102,372 | | | 116,157 |
| Public Health Services | 888 | 17,801 | | | 18,689 |
| Transportation | | 35,809 | | | 35,809 |
| General Government | 94,550 | 18,211 | | | 112,761 |
| Capital Outlay | | 19,177 | | | 19,177 |
| Debt Service: | | | | | |
| Principal Retirement | | 12,642 | 15,000 | | 27,642 |
| Interest and Fiscal Charges | | 1,158 | 4,832 | | 5,990 |
| <i>Total Cash Disbursements</i> | <u>109,223</u> | <u>207,170</u> | <u>19,832</u> | <u>0</u> | <u>336,225</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(30,630)</u> | <u>76,309</u> | <u>(3,832)</u> | <u>994</u> | <u>42,841</u> |
| Other Financing Receipts (Disbursements) | | | | | |
| Sale of Bonds | | 800 | | | 800 |
| Transfers In | 130,000 | 88,500 | | | 218,500 |
| Transfers Out | (88,500) | (130,000) | | | (218,500) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>41,500</u> | <u>(40,700)</u> | <u>0</u> | <u>0</u> | <u>800</u> |
| <i>Net Change in Fund Cash Balances</i> | 10,870 | 35,609 | (3,832) | 994 | 43,641 |
| <i>Fund Cash Balances, January 1</i> | <u>91,873</u> | <u>274,134</u> | <u>32,073</u> | <u>6,375</u> | <u>404,455</u> |
| Fund Cash Balances, December 31 | | | | | |
| Nonspendable | | | | 7,369 | 7,369 |
| Restricted | | 309,743 | 28,241 | | 337,984 |
| Committed | | | | | 0 |
| Assigned | 62,543 | | | | 62,543 |
| Unassigned (Deficit) | 40,200 | | | | 40,200 |
| <i>Fund Cash Balances, December 31</i> | <u>\$102,743</u> | <u>\$309,743</u> | <u>\$28,241</u> | <u>\$7,369</u> | <u>\$448,096</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, 2015**

| | Proprietary Fund Types | Fiduciary Fund Types | Totals (Memorandum Only) |
|---|---------------------------|-------------------------|--------------------------------|
| | Enterprise | Agency | |
| Operating Cash Receipts | | | |
| Charges for Services | \$676,601 | \$0 | \$676,601 |
| Fines, Licenses and Permits | | 62,593 | 62,593 |
| <i>Total Operating Cash Receipts</i> | <u>676,601</u> | <u>62,593</u> | <u>739,194</u> |
| Operating Cash Disbursements | | | |
| Personal Services | 109,766 | | 109,766 |
| Employee Fringe Benefits | 30,666 | | 30,666 |
| Contractual Services | 262,526 | | 262,526 |
| Supplies and Materials | 46,577 | | 46,577 |
| Other | 7,280 | 64,594 | 71,874 |
| <i>Total Operating Cash Disbursements</i> | <u>456,815</u> | <u>64,594</u> | <u>521,409</u> |
| <i>Operating Income (Loss)</i> | <u>219,786</u> | <u>(2,001)</u> | <u>217,785</u> |
| Non-Operating Receipts (Disbursements) | | | |
| Sale of Bonds | 378,200 | | 378,200 |
| Miscellaneous Receipts | 3,730 | | 3,730 |
| Capital Outlay | (6,829) | | (6,829) |
| Principal Retirement | (491,988) | | (491,988) |
| Interest and Other Fiscal Charges | (39,166) | | (39,166) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>(156,053)</u> | <u>0</u> | <u>(156,053)</u> |
| <i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i> | 63,733 | (2,001) | 61,732 |
| Transfers In | 31,000 | | 31,000 |
| Transfers Out | (31,000) | | (31,000) |
| <i>Net Change in Fund Cash Balances</i> | 63,733 | (2,001) | 61,732 |
| <i>Fund Cash Balances, January 1</i> | <u>398,912</u> | <u>5,516</u> | <u>404,428</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$462,645</u></u> | <u><u>\$3,515</u></u> | <u><u>\$466,160</u></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, 2014**

| | General | Special Revenue | Capital Projects | Permanent | Totals (Memorandum Only) |
|---|-----------------|--------------------|---------------------|----------------|--------------------------------|
| Cash Receipts | | | | | |
| Property and Other Local Taxes | \$5,834 | \$46,232 | \$0 | \$0 | \$52,066 |
| Municipal Income Tax | 0 | 136,263 | | | 136,263 |
| Intergovernmental | 9,137 | 42,035 | | | 51,172 |
| Charges for Services | 0 | 56,824 | 16,000 | | 72,824 |
| Fines, Licenses and Permits | 40,609 | 6,689 | | | 47,298 |
| Earnings on Investments | 0 | 0 | | | 0 |
| Miscellaneous | 3,486 | 43,765 | | | 47,251 |
| <i>Total Cash Receipts</i> | <u>59,066</u> | <u>331,808</u> | <u>16,000</u> | <u>0</u> | <u>406,874</u> |
| Cash Disbursements | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 13,519 | 132,081 | | | 145,600 |
| Public Health Services | 907 | 17,289 | | | 18,196 |
| Transportation | | 36,501 | | | 36,501 |
| General Government | 82,656 | 16,749 | | | 99,405 |
| Capital Outlay | | 95,941 | 100,000 | | 195,941 |
| Debt Service: | | | | | |
| Principal Retirement | | 9,203 | 15,000 | | 24,203 |
| Interest and Fiscal Charges | | 660 | 5,304 | | 5,964 |
| <i>Total Cash Disbursements</i> | <u>97,082</u> | <u>308,424</u> | <u>120,304</u> | <u>0</u> | <u>525,810</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(38,016)</u> | <u>23,384</u> | <u>(104,304)</u> | <u>0</u> | <u>(118,936)</u> |
| Other Financing Receipts (Disbursements) | | | | | |
| Sale of Bonds | | 63,500 | 100,000 | | 163,500 |
| Transfers In | 130,000 | 88,660 | | | 218,660 |
| Transfers Out | (88,660) | (130,000) | | | (218,660) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>41,340</u> | <u>22,160</u> | <u>100,000</u> | <u>0</u> | <u>163,500</u> |
| <i>Net Change in Fund Cash Balances</i> | 3,324 | 45,544 | (4,304) | 0 | 44,564 |
| <i>Fund Cash Balances, January 1 (restated see Note 11)</i> | <u>88,549</u> | <u>228,590</u> | <u>36,377</u> | <u>6,375</u> | <u>359,891</u> |
| Fund Cash Balances, December 31 | | | | | |
| Nonspendable | | | | 6,375 | 6,375 |
| Restricted | | 274,134 | 32,073 | | 306,207 |
| Assigned | 54,274 | | | | 54,274 |
| Unassigned (Deficit) | 37,599 | | | | 37,599 |
| <i>Fund Cash Balances, December 31</i> | <u>\$91,873</u> | <u>\$274,134</u> | <u>\$32,073</u> | <u>\$6,375</u> | <u>\$404,455</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, 2014**

| | Proprietary Fund Types | Fiduciary Fund Types | Totals (Memorandum Only) |
|---|---------------------------|-------------------------|--------------------------------|
| | Enterprise | Agency | |
| Operating Cash Receipts | | | |
| Charges for Services | \$646,156 | \$0 | \$646,156 |
| Fines, Licenses and Permits | | 64,716 | 64,716 |
| <i>Total Operating Cash Receipts</i> | <u>646,156</u> | <u>64,716</u> | <u>710,872</u> |
| Operating Cash Disbursements | | | |
| Personal Services | 101,265 | | 101,265 |
| Employee Fringe Benefits | 28,754 | | 28,754 |
| Contractual Services | 253,609 | | 253,609 |
| Supplies and Materials | 52,377 | | 52,377 |
| Other | 7,065 | 63,847 | 70,912 |
| <i>Total Operating Cash Disbursements</i> | <u>443,070</u> | <u>63,847</u> | <u>506,917</u> |
| <i>Operating Income (Loss)</i> | <u>203,086</u> | <u>869</u> | <u>203,955</u> |
| Non-Operating Receipts (Disbursements) | | | |
| Sale of Bonds | 381,001 | | 381,001 |
| Earnings on Investments | 638 | | 638 |
| Miscellaneous Receipts | 33,538 | | 33,538 |
| Capital Outlay | (85,511) | | (85,511) |
| Principal Retirement | (446,544) | | (446,544) |
| Interest and Other Fiscal Charges | (50,797) | | (50,797) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>(167,675)</u> | <u>0</u> | <u>(167,675)</u> |
| <i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i> | 35,411 | 869 | 36,280 |
| Transfers In | 51,000 | | 51,000 |
| Transfers Out | (51,000) | | (51,000) |
| <i>Net Change in Fund Cash Balances</i> | 35,411 | 869 | 36,280 |
| <i>Fund Cash Balances, January 1 (restated see Note 11)</i> | <u>363,501</u> | <u>4,647</u> | <u>368,148</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$398,912</u></u> | <u><u>\$5,516</u></u> | <u><u>\$404,428</u></u> |

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

**VILLAGE OF SARDINIA
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

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 accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The Village 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 money for constructing, maintaining, and repairing Village streets.

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

**VILLAGE OF SARDINIA
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 funds:

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 permanent fund:

Cemetery Bequest Fund - This non-expendable trust fund maintains the trust corpus.

5. 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 water service costs.

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

6. Fiduciary Funds

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

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.

VILLAGE OF SARDINIA
BROWN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 approve estimated resources.

3. Encumbrances

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

A summary of 2015 and 2014 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.

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.

**VILLAGE OF SARDINIA
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

| | 2015 | 2014 |
|-------------------------|-----------|-----------|
| Demand deposits | \$907,414 | \$802,045 |
| Certificates of deposit | 6,842 | 6,838 |
| Total deposits | 914,256 | 808,883 |

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

**VILLAGE OF SARDINIA
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

| 2015 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$181,604 | \$208,593 | \$26,989 |
| Special Revenue | 370,210 | 372,779 | 2,569 |
| Capital Projects | 16,000 | 16,000 | 0 |
| Permanent | 994 | 994 | 0 |
| Enterprise | 1,063,100 | 1,089,531 | 26,431 |
| Total | \$1,631,908 | \$1,687,897 | \$55,989 |

| 2015 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$235,877 | \$197,946 | \$37,931 |
| Special Revenue | 416,061 | 352,218 | 63,843 |
| Capital Projects | 20,500 | 19,832 | 668 |
| Enterprise | 1,181,969 | 1,031,635 | 150,334 |
| Total | \$1,854,407 | \$1,601,631 | \$252,776 |

| 2014 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$191,988 | \$189,066 | (\$2,922) |
| Special Revenue | 437,987 | 483,968 | 45,981 |
| Capital Projects | 116,000 | 116,000 | 0 |
| Enterprise | 1,264,900 | 1,170,333 | (94,567) |
| Total | \$2,010,875 | \$1,959,367 | (\$51,508) |

| 2014 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$223,261 | \$185,797 | \$37,464 |
| Special Revenue | 505,322 | 446,636 | 58,686 |
| Capital Projects | 131,500 | 120,304 | 11,196 |
| Enterprise | 1,403,852 | 1,245,600 | 158,252 |
| Total | \$2,263,935 | \$1,998,337 | \$265,598 |

**VILLAGE OF SARDINIA
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

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. LOCAL INCOME TAX

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

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

6. DEBT

Debt outstanding at December 31, 2015 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|------------------------------------|--------------------|----------------------|
| OWDA Loan #4439 | \$2,017,384 | 1.50% |
| OPWC Loan CO03I | 304,921 | 0.00% |
| OPWC Loan CT530 | 13,883 | 0.00% |
| OWDA #6720 | 178,021 | 2.00% |
| OWDA #7005 | 75,458 | 0.75% |
| Water System Refunding Bonds | 375,000 | 3.33% |
| Police Cruiser Note - 2012 | 2,600 | 3.75% |
| Work Truck Bond - 2014 | 2,500 | 2.50% |
| Pumper Truck Bond - 2014 | 80,000 | 2.50% |
| Pumper Truck Equipment Bond - 2014 | 15,000 | 4.00% |
| Police Cruiser Bond - 2014 | 29,925 | 3.50% |
| Work Van Bond - 2015 | 2,665 | 2.50% |
| Total | <u>\$3,097,357</u> | |

OWDA Loan #4439 relates to a wastewater treatment plan improvement project. The Village received \$3,387 from the OWDA in 2010 that was then distributed 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. The OPWC made payments on behalf of the Village in 2009, directly to contractors, from the OPWC Loan Fund in the amount of \$398,643. The project is complete 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 zero interest loan will be repaid from the Sewer Fund.

**VILLAGE OF SARDINIA
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

6. DEBT (Continued)

The OPWC Construction Loan #CT530 relates to a water main improvement project. The OPWC made payments on behalf of the Village in 2012, directly to contractors, from the OPWC Loan Fund in the amount of \$15,509. The project is complete and the full loan approved by the OPWC is \$15,717. The loan will be repaid in Semi-annual payments of \$262 over the next 30 years. This zero interest loan will be repaid from the Sewer Fund.

The OWDA Loan #6720 relates to the extension of the sewer main under State Route 32 to property being developed. In 2014, the Village received \$184,880 from the OWDA that was then disbursed by the Village for the project. The loan is scheduled to be paid off in 2044.

The OWDA Loan #7005 relates to the installation of a Septage Receiving Station at the sewer plant. During 2015, the Village received \$75,426 from the OWDA that was then disbursed by the Village for the project. The loan is scheduled to be paid off in 2036.

Water System Refunding Bond relates to the refinance of an old water main improvement project plus additional funds to extend the water main under State Route 32 to property being developed for a total of \$375,000. The loan is scheduled to be paid off in 2035.

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 4 years.

In 2014, the Village issued a note for the purchase of a work truck which will be utilized by the Village Administrator. The total amount of the bond is \$7,500 and will be repaid over the next 3 years.

In 2014, the Village issued a note for the purchase of a pumper truck which will be utilized by the Village Fire Department. The total amount of the bond is \$100,000 and will be repaid over the next 10 years.

In 2014, the Village issued a note for the purchase of equipment for the pumper truck which will be utilized by Village Fire Department. The total amount of the bond is \$25,000 and will be repaid over the next 5 years.

In 2014, the Village issued a note for the purchase of two new police cruisers which will be utilized by the Village Police Department. The total amount of the bond is \$37,000 and will be repaid over the next 5 years.

In 2015, the Village issued a note for the purchase of a work truck which will be utilized by the Village Public Works Department. The total amount of the bond is \$4,000 and will be repaid over the next 3 years.

**VILLAGE OF SARDINIA
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

6. DEBT (Continued)

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

| Year ending December 31: | OWDA | OPWC | Water System Refund Bond | Police Cruiser Bonds | Work Truck & Van Bonds | Pumper Truck & Equipment Bonds |
|-----------------------------|--------------------|------------------|-----------------------------|-------------------------|---------------------------|---|
| 2016 | \$116,183 | \$23,979 | \$26,316 | \$10,596 | \$3,964 | \$19,200 |
| 2017 | 120,296 | 23,979 | 25,969 | 7,907 | 1,363 | 18,550 |
| 2018 | 120,296 | 23,979 | 25,969 | 7,907 | | 17,900 |
| 2019 | 120,296 | 23,979 | 25,969 | 7,907 | | 12,250 |
| 2020 | 120,296 | 23,979 | 25,969 | | | 11,800 |
| 2021-2025 | 601,479 | 119,897 | 129,847 | | | 32,700 |
| 2026-2030 | 601,479 | 72,986 | 129,847 | | | |
| 2031-2035 | 601,479 | 2,620 | 129,847 | | | |
| 2036-2040 | 257,127 | 2,620 | | | | |
| 2041-2045 | 32,901 | 786 | | | | |
| Total | <u>\$2,691,832</u> | <u>\$318,804</u> | <u>\$519,733</u> | <u>\$34,317</u> | <u>\$5,327</u> | <u>\$112,400</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 2015 and 2014, 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, 2015.

8. RISK MANAGEMENT

Commercial Insurance

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.



Dave Yost • Auditor of State

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

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

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, Ohio (the Village) as of and for the years ended December, 2015 and 2014 the related notes to the financial statements and have issued our report thereon dated November 21, 2016, 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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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.

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

Dave Yost
Auditor of State

Columbus, Ohio

November 21, 2016

VILLAGE OF SARDINIA
BROWN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-001

Noncompliance/Material Weakness

Ohio Admin. Code § 117-2-02(A) requires all local public offices to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record and report its transactions; maintain accountability for the related assets; document compliance with finance-related legal and contractual requirements; and prepare financial statements as required by Ohio Admin. Code § 117-2-03.

Also, **Ohio Rev. Code § 5705.09** states, in part, each subdivision must establish the following funds:

- General fund;
- Sinking fund whenever the subdivision has outstanding bonds other than serial bonds;
- Bond retirement fund, for the retirement of serial bonds, notes, or certificates of indebtedness;
- A special fund for each special levy;
- A special bond fund for each bond issue;
- A special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

Ohio Rev. Code § 5705.10(B) state all revenue derived from general or special revenue levies for debt charges which is levied for the debt charges on serial bonds, notes, or certificate of indebtedness having a life less than five years, must be paid into the bond retirement fund. All such revenue which is levied for the debt charges on all other bonds, notes, or certificate of indebtedness is to be paid into the sinking fund.

In addition, **Ohio Rev. Code § 5705.10(C)** states all revenue derived from a special levy is to be credited to a special fund for the purpose for which the levy was made and Ohio Rev. Code § 5705.10 states, in part, all revenue derived from a source other than the general property tax and which the law prescribes, shall be used for a particular purpose is to be paid into a special fund for such purpose and all proceeds from the sale of public obligations or fractionalized interests in public obligations as defined in Ohio Rev Code § 133.10, *except premium and accrued interest*, are to be paid into a special fund for the purpose of such issue. Any interest earned on money in the special fund may be used for the purpose for which the indebtedness was authorized, or may be credited and used for an unauthorized fund or account.

The following conditions were noted in the Village's accounting records, and financial statements:

The Village did not properly post the following items to the appropriate funds, on the accounting system or the financial statements:

- In 2015, \$2,188 of Fire Fund and \$4,530 of Police Fund intergovernmental revenue derived from Homestead and Rollback funds from the State of Ohio were posted to the General Fund instead of the Special Revenue funds;

FINDING NUMBER 2015-001
(Continued)

- In 2014, \$2,196 of Fire Fund and \$4,546 of Police Fund intergovernmental revenue derived from Homestead and Rollback funds from the State of Ohio were posted to the General Fund instead of the Special Revenue funds.

These adjustments are reflected on the accompanying financial statements and the Village has posted the fund balance adjustments to the Village's accounting records.

The Village did not accurately apply Governmental Accounting Standard Board (GASB) Statement No. 54 when classifying General Fund balances on the financial statements. The differences were a result of the current year appropriations exceeding the current year estimated receipts by an amount that would be covered by the following year's available resources:

- As of December 31, 2015 and 2014, \$62,543 and \$54,274, respectively, was reported as a component of Unassigned Fund Balance but should have been classified as Assigned Fund Balance within the General Fund.

These adjustments are reflected on the accompanying financial statements.

Failure to accurately report financial activity in the appropriate fund or line item can result in inaccurate financial statements and could also result in the expenditure of restricted funds for an unallowable purpose.

We recommend the Village develop and implement procedures to accurately post Homestead and Rollback funds and procedures for reporting year-end fund balances. We also recommend the Village review Auditor of State Bulletin 2011-004 for guidelines in classifying fund balances in accordance with GASB Statement No. 54.

Officials' Response:

We did not receive a response from officials to the finding.

**VILLAGE OF SARDINIA
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 and 2014**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---|------------------|---|
| 2013-001 | Posting Receipts, Disbursements and Fund Balances and related errors. | No | Partially corrected. Receipt and Fund Balance errors continued. Reissued as Finding 2015-001 |
| 2013-002 | Budgetary violations of Ohio Rev. Code 5705.36, 5707.39, 5705.41(B) and 5705.41(D). Budgetary controls related to posting approved measures to the Village's accounting system. | No | Partially corrected. Certain approved budgetary amounts were not properly reconciled to the Village's accounting system and this issue was repeated in the Management Letter. |

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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
DECEMBER 22, 2016