

VILLAGE OF SARDINIA, OHIO
BROWN COUNTY, OHIO

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016**



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 Bastin & Company, LLC, for the audit period January 1, 2016 through December 31, 2017. 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

June 15, 2018

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VILLAGE OF SARDINIA, OHIO
BROWN COUNTY

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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 of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Sardinia, Brown County, (the Village), as of and for the years ended December 31, 2017 and 2016.

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, 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, 2017 and 2016, 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 2.

Emphasis of Matter

As discussed in Note 12 to the 2016 financial statements, the Village restated prior reported fund cash balances related to reclassifying the income tax and permanent funds. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2018, 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.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
May 14, 2018

Village of Sardinia, Ohio
Brown County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 6,307	\$ 49,074	\$ -	\$ 55,381
Municipal Income Tax	146,703	-	-	146,703
Intergovernmental	14,799	105,554	-	120,353
Charges for Services	-	71,781	16,000	87,781
Fines, Licenses and Permits	38,053	5,445	-	43,498
Earnings on Investments	1,499	76	-	1,575
Miscellaneous	2,231	9,091	-	11,322
<i>Total Cash Receipts</i>	<u>209,592</u>	<u>241,021</u>	<u>16,000</u>	<u>466,613</u>
Cash Disbursements				
Current:				
Security of Persons and Property	14,212	162,213	-	176,425
Public Health Services	1,358	19,309	-	20,667
Transportation	-	38,047	-	38,047
General Government	94,988	24,080	-	119,068
Capital Outlay	-	114,625	9,500	124,125
Debt Service:				
Principal Retirement	-	7,664	15,000	22,664
Interest and Fiscal Charges	-	513	3,534	4,047
<i>Total Cash Disbursements</i>	<u>110,558</u>	<u>366,451</u>	<u>28,034</u>	<u>505,043</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	99,034	(125,430)	(12,034)	(38,430)
Other Financing Receipts (Disbursements)				
Transfers-In	-	88,500	-	88,500
Transfers-Out	(88,500)	-	-	(88,500)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(88,500)</u>	<u>88,500</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	10,534	(36,930)	(12,034)	(38,430)
<i>Fund Cash Balances, January 1</i>	<u>146,400</u>	<u>342,366</u>	<u>25,070</u>	<u>513,836</u>
Fund Cash Balances, December 31				
Restricted	-	305,436	13,036	318,472
Assigned	44,586	-	-	44,586
Unassigned	112,348	-	-	112,348
<i>Fund Cash Balances, December 31</i>	<u>\$ 156,934</u>	<u>\$ 305,436</u>	<u>\$ 13,036</u>	<u>\$ 475,406</u>

See accompanying notes to the basic financial statements

Village of Sardinia, Ohio
Brown County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2017

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$ 755,291	\$ -	\$ 755,291
<i>Total Operating Cash Receipts</i>	<u>755,291</u>	<u>-</u>	<u>755,291</u>
Operating Cash Disbursements			
Personal Services	111,417	-	111,417
Employee Fringe Benefits	40,264	-	40,264
Contractual Services	278,893	-	278,893
Supplies and Materials	41,699	-	41,699
Other	5,965	-	5,965
<i>Total Operating Cash Disbursements</i>	<u>478,238</u>	<u>-</u>	<u>478,238</u>
<i>Operating Income (Loss)</i>	<u>277,053</u>	<u>-</u>	<u>277,053</u>
Non-Operating Receipts (Disbursements)			
Sale of Fixed Assets	1,051	-	1,051
Principal Retirement	(126,517)	-	(126,517)
Interest and Other Fiscal Charges	(44,793)	-	(44,793)
Capital Outlay	(5,179)	-	(5,179)
Other Financing Sources	-	57,221	57,221
Other Financing Uses	-	(59,681)	(59,681)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(175,438)</u>	<u>(2,460)</u>	<u>(177,898)</u>
<i>Income (Loss) before Transfers</i>	101,615	(2,460)	99,155
Transfers-In	49,050	-	49,050
Transfers-Out	(49,050)	-	(49,050)
<i>Net Change in Fund Cash Balances</i>	101,615	(2,460)	99,155
<i>Fund Cash Balances, January 1</i>	<u>467,027</u>	<u>4,632</u>	<u>471,659</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 568,642</u>	<u>\$ 2,172</u>	<u>\$ 570,814</u>

See accompanying notes to the basic financial statements

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The Village of Sardinia (the Village), Brown County, 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. 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.

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds 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. The funds of the Village are presented below:

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

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 accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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

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

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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.

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.

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 the financial activity of the Village Mayor's Court.

Basis of Accounting

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 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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.

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 2017 budgetary activity appears in Note 4.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

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

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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:

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

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.

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.

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*

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2017

amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

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.

Note 3 – Compliance

Contrary to Ohio Revised Code Section 5705.41(D), the Village incurred obligations without issuing proper certifications that the amounts required to meet the obligations had been lawfully appropriated for such purposes and were in the treasury or in the process of collection.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 197,585	\$ 209,592	\$ 12,007
Special Revenue	279,210	329,521	50,311
Capital Projects	16,000	16,000	-
Enterprise	772,753	805,392	32,639
Total	\$ 1,265,548	\$ 1,360,505	\$ 94,957

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 231,836	\$ 199,894	\$ 31,942
Special Revenue	418,923	367,777	51,146
Capital Projects	28,700	28,034	666
Enterprise	868,263	711,163	157,100
Total	\$ 1,547,722	\$ 1,306,868	\$ 240,854

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 5 – 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:

	<u>2017</u>
Demand deposits	\$1,039,368
Certificates of deposit	<u>6,852</u>
Total deposits	<u>\$1,046,220</u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation, or collateralized through the Ohio Pooled Collateral System (OPCS).

Note 6 – Taxes

Property Taxes

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.

Income Taxes

The Village levies a municipal income tax of 1.0 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.

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 – Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation. Worker's Compensation coverage is provided by the State of Ohio. The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

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.

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2017, 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, 2017.

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 10 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
OWDA Loan #4439	\$ 1,860,147	1.50%
OWDA Loan #6720	168,551	2.00%
OWDA Loan #7005	68,410	0.75%
OPWC Loan #CO03I	258,009	0.00%
OPWC Loan #CT530	12,835	0.00%
Water System Refunding Bonds	347,550	3.33%
Pumper Truck Bonds 2014	60,000	4.50%
Pumper Truck Equipment Bonds 2014	5,000	4.00%
Police Cruiser Bonds 2014	15,296	2.25%
Total	\$ 2,795,798	

OWDA Loan #4439 relates to a wastewater treatment plan improvement project. The Village financed \$2,601,378, with the first payment made in 2013 and the final payment scheduled for 2037, at an interest rate of 1.50%.

OWDA Loan #6720 relates to the extension of the sewer main under State Route 32 to property being developed. The Village financed \$184,881, with the first payment made in 2016 and the final payment scheduled for 2044, at an interest rate of 2.0%.

OWDA Loan #7005 relates to the installation of a Septage Receiving Station at the sewer plant. The Village financed \$75,458, with the first payment made in 2016 and the final payment scheduled for 2036, at an interest rate of 0.75%.

OPWC Construction Loan #CO03I relates to the wastewater treatment plant improvement project. The Village financed \$469,110, with the first payment made in 2009 and the final payment scheduled for 2029, at an interest rate of 0.00%.

OPWC Construction Loan #CT530 relates to a water main improvement project. The Village financed \$15,717, with the first payment made in 2012 and the final payment scheduled for 2042, at an interest rate of 0.00%.

Water System Refunding Bonds relate 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 final bond payment is scheduled for 2035. The interest rate is 3.33%.

In 2014, the Village issued bonds for the purchase of a pumper truck for the Village Fire Department. The total amount of the issue was \$100,000, at an interest rate of 4.5%, with the final payment scheduled for 2024.

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2017

In 2014, the Village issued bonds for the purchase of equipment for the Village Fire Department pumper truck. The total amount of issue was \$25,000, at an interest rate of 4.0%, with the final payment scheduled for 2018.

In 2014, the Village issued Police Cruiser Acquisition Bonds for the purchase of two new police cruisers for the Village Police Department. The total amount of the issue was \$37,000, at an interest rate of 2.25%, with the final payment scheduled for 2019.

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

Year ending December 31:	OWDA Loan #4439	OWDA Loan #6720	OWDA Loan #7005	OPWC Loan #CO03I	OPWC Loan #CT530
2018	\$ 108,001	\$ 8,225	\$ 4,070	\$ 23,456	\$ 524
2019	108,001	8,225	4,070	23,455	524
2020	108,001	8,225	4,070	23,456	524
2021	108,001	8,225	4,070	23,455	524
2022	108,001	8,225	4,070	23,456	524
2023-2027	540,003	41,126	20,350	117,277	2,620
2028-2032	540,003	41,126	20,350	23,454	2,620
2033-2037	540,003	41,126	12,210	-	2,620
2038-2042	-	41,126	-	-	2,355
2043-2044	-	12,338	-	-	-
Total	<u>\$ 2,160,014</u>	<u>\$ 217,967</u>	<u>\$ 73,260</u>	<u>\$ 258,009</u>	<u>\$ 12,835</u>

Year ending December 31:	Water System	Pumper Truck Bonds 2014	Pumper Truck		Total
	Refunding Bonds		Equip Bonds 2014	Police Cruiser Bonds 2014	
2018	\$ 25,969	\$ 12,700	\$ 5,200	\$ 7,907	\$ 196,052
2019	25,970	12,250	-	7,907	190,402
2020	25,969	11,800	-	-	182,045
2021	25,970	11,350	-	-	181,595
2022	25,969	10,900	-	-	181,145
2023-2027	129,847	10,450	-	-	861,673
2028-2032	129,846	-	-	-	757,399
2033-2037	77,908	-	-	-	673,867
2038-2042	-	-	-	-	43,481
2043-2044	-	-	-	-	12,338
Total	<u>\$ 467,448</u>	<u>\$ 69,450</u>	<u>\$ 5,200</u>	<u>\$ 15,814</u>	<u>\$ 3,279,997</u>

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 11 – 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.

Village of Sardinia, Ohio
Brown County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 5,978	\$ 46,523	\$ -	\$ 52,501
Municipal Income Tax	163,779	-	-	163,779
Intergovernmental	15,054	46,179	-	61,233
Charges for Services	-	86,430	16,000	102,430
Fines, Licenses and Permits	46,187	6,185	-	52,372
Earnings on Investments	1,432	84	-	1,516
Miscellaneous	686	8,534	-	9,220
<i>Total Cash Receipts</i>	<u>233,116</u>	<u>193,935</u>	<u>16,000</u>	<u>443,051</u>
Cash Disbursements				
Current:				
Security of Persons and Property	14,213	115,334	-	129,547
Public Health Services	902	19,644	-	20,546
Transportation	-	39,275	-	39,275
General Government	128,072	13,931	-	142,003
Capital Outlay	-	15,384	-	15,384
Debt Service:				
Principal Retirement	-	10,599	15,000	25,599
Interest and Fiscal Charges	-	786	4,171	4,957
<i>Total Cash Disbursements</i>	<u>143,187</u>	<u>214,953</u>	<u>19,171</u>	<u>377,311</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	89,929	(21,018)	(3,171)	65,740
Other Financing Receipts (Disbursements)				
Transfers-In	-	78,500	-	78,500
Transfers-Out	(78,500)	-	-	(78,500)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(78,500)</u>	<u>78,500</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	11,429	57,482	(3,171)	65,740
<i>Fund Cash Balances, January 1 - restated</i>	<u>134,971</u>	<u>284,884</u>	<u>28,241</u>	<u>448,096</u>
Fund Cash Balances, December 31				
Restricted	-	342,366	25,070	367,436
Assigned	34,151	-	-	34,151
Unassigned	112,249	-	-	112,249
<i>Fund Cash Balances, December 31</i>	<u>\$ 146,400</u>	<u>\$ 342,366</u>	<u>\$ 25,070</u>	<u>\$ 513,836</u>

See accompanying notes to the basic financial statements

Village of Sardinia, Ohio
Brown County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2016

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts			
Charges for Services	\$ 670,606	\$ -	\$ 670,606
<i>Total Operating Cash Receipts</i>	<u>670,606</u>	<u>-</u>	<u>670,606</u>
Operating Cash Disbursements			
Personal Services	111,497	-	111,497
Employee Fringe Benefits	40,769	-	40,769
Contractual Services	281,272	-	281,272
Supplies and Materials	47,769	-	47,769
Other	7,070	-	7,070
<i>Total Operating Cash Disbursements</i>	<u>488,377</u>	<u>-</u>	<u>488,377</u>
<i>Operating Income (Loss)</i>	<u>182,229</u>	<u>-</u>	<u>182,229</u>
Non-Operating Receipts (Disbursements)			
Principal Retirement	(126,779)	-	(126,779)
Interest and Other Fiscal Charges	(46,993)	-	(46,993)
Capital Outlay	(4,075)	-	(4,075)
Other Financing Sources	-	71,542	71,542
Other Financing Uses	-	(70,425)	(70,425)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(177,847)</u>	<u>1,117</u>	<u>(176,730)</u>
<i>Income (Loss) before Transfers</i>	4,382	1,117	5,499
Transfers-In	1,000	-	1,000
Transfers-Out	(1,000)	-	(1,000)
<i>Net Change in Fund Cash Balances</i>	4,382	1,117	5,499
<i>Fund Cash Balances, January 1</i>	<u>462,645</u>	<u>3,515</u>	<u>466,160</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 467,027</u>	<u>\$ 4,632</u>	<u>\$ 471,659</u>

See accompanying notes to the basic financial statements

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The Village of Sardinia (the Village), Brown County, 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. 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.

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds 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. The funds of the Village are presented below:

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

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 accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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

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

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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.

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.

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 the financial activity of the Village Mayor's Court.

Basis of Accounting

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 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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.

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 2016 budgetary activity appears in Note 4.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

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

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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:

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

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.

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.

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*

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2016

amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

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.

Note 3 – Compliance

Contrary to Ohio Revised Code Section 5705.41(D), the Village incurred obligations without issuing proper certifications that the amounts required to meet the obligations had been lawfully appropriated for such purposes and were in the treasury or in the process of collection.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 198,200	\$ 233,116	\$ 34,916
Special Revenue	266,410	272,435	6,025
Capital Projects	16,000	16,000	-
Enterprise	685,063	671,606	(13,457)
Total	\$ 1,165,673	\$ 1,193,157	\$ 27,484

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 238,360	\$ 222,610	\$ 15,750
Special Revenue	310,194	232,198	77,996
Capital Projects	19,850	19,171	679
Enterprise	849,197	677,085	172,112
Total	\$ 1,417,601	\$ 1,151,064	\$ 266,537

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 5 – 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:

	<u>2016</u>
Demand deposits	\$978,647
Certificates of deposit	<u>6,848</u>
Total deposits	<u>\$985,495</u>

Deposits

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

Note 6 – Taxes

Property Taxes

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.

Income Taxes

The Village levies a municipal income tax of 1.0 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.

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 – Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation. Worker's Compensation coverage is provided by the State of Ohio. The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

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.

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2016, 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, 2016.

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
OWDA Loan #4439	\$ 1,939,353	1.50%
OWDA Loan #6720	173,333	2.00%
OWDA Loan #7005	71,947	0.75%
OPWC Loan #CO03I	281,465	0.00%
OPWC Loan #CT530	13,359	0.00%
Water System Refunding Bonds	361,499	3.33%
Pumper Truck Bonds 2014	70,000	4.50%
Pumper Truck Equipment Bonds 2014	10,000	4.00%
Police Cruiser Bonds 2014	22,693	2.25%
Work Van Bonds 2015	1,330	2.50%
Total	\$ 2,944,979	

OWDA Loan #4439 relates to a wastewater treatment plan improvement project. The Village financed \$2,601,378, with the first payment made in 2013 and the final payment scheduled for 2037, at an interest rate of 1.50%.

OWDA Loan #6720 relates to the extension of the sewer main under State Route 32 to property being developed. The Village financed \$184,881, with the first payment made in 2016 and the final payment scheduled for 2044, at an interest rate of 2.0%.

OWDA Loan #7005 relates to the installation of a Septage Receiving Station at the sewer plant. The Village financed \$75,458, with the first payment made in 2016 and the final payment scheduled for 2036, at an interest rate of 0.75%.

OPWC Construction Loan #CO03I relates to the wastewater treatment plant improvement project. The Village financed \$469,110, with the first payment made in 2009 and the final payment scheduled for 2029, at an interest rate of 0.00%.

OPWC Construction Loan #CT530 relates to a water main improvement project. The Village financed \$15,717, with the first payment made in 2012 and the final payment scheduled for 2042, at an interest rate of 0.00%.

Water System Refunding Bonds relate 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 final bond payment is scheduled for 2035. The interest rate is 3.33%.

In 2014, the Village issued bonds for the purchase of a pumper truck for the Village Fire Department. The total amount of the issue was \$100,000, at an interest rate of 4.5%, with the final payment scheduled for 2024.

In 2014, the Village issued bonds for the purchase of equipment for the Village Fire Department pumper

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2016

truck. The total amount of issue was \$25,000, at an interest rate of 4.0%, with the final payment scheduled for 2018.

In 2014, the Village issued Police Cruiser Acquisition Bonds for the purchase of two new police cruisers for the Village Police Department. The total amount of the issue was \$37,000, at an interest rate of 2.25%, with the final payment scheduled for 2019.

In 2015, the Village issued bonds for the purchase of a work truck for the Village Public Works Department. The total amount of the issue was \$4,000, at an interest rate of 2.50%, with the final payment scheduled for 2017.

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

Year ending December 31:	OWDA Loan #4439	OWDA Loan #6720	OWDA Loan #7005	OPWC Loan #CO03I	OPWC Loan #CT530	Water System Refunding Bonds
2017	\$ 108,001	\$ 8,225	\$ 4,070	\$ 23,455	\$ 524	\$ 25,970
2018	108,001	8,225	4,070	23,456	524	25,969
2019	108,001	8,225	4,070	23,455	524	25,970
2020	108,001	8,225	4,070	23,456	524	25,969
2021	108,001	8,225	4,070	23,455	524	25,970
2022-2026	540,003	41,126	20,350	117,277	2,620	129,846
2027-2031	540,003	41,126	20,350	46,911	2,620	129,847
2032-2036	540,003	41,126	16,280	-	2,620	103,877
2037-2041	108,001	41,126	-	-	2,620	-
2042-2044	-	20,563	-	-	259	-
Total	<u>\$ 2,268,015</u>	<u>\$ 226,192</u>	<u>\$ 77,330</u>	<u>\$ 281,465</u>	<u>\$ 13,359</u>	<u>\$ 493,418</u>

Year ending December 31:	Pumper Truck				
	Pumper Truck Bonds 2014	Equip Bonds 2014	Police Cruiser Bonds 2014	Work Van Bonds 2015	Total
2017	\$ 13,150	\$ 5,400	\$ 7,907	\$ 1,362	\$ 198,064
2018	12,700	5,200	7,907	-	196,052
2019	12,250	-	7,907	-	190,402
2020	11,800	-	-	-	182,045
2021	11,350	-	-	-	181,595
2022-2026	21,350	-	-	-	872,572
2027-2031	-	-	-	-	780,857
2032-2036	-	-	-	-	703,906
2037-2041	-	-	-	-	151,747
2042-2044	-	-	-	-	20,822
Total	<u>\$ 82,600</u>	<u>\$ 10,600</u>	<u>\$ 23,721</u>	<u>\$ 1,362</u>	<u>\$ 3,478,062</u>

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 11 – 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.

Note 12 – Restated Prior Reported Amounts

Amounts previously reported for the Village’s General, Special Revenue and Permanent Fund types have been restated to properly state and reclassify Village activities to proper fund types.

The Village established a Permanent Fund to deposit 25% of cemetery lot sales to finance maintenance costs after all lots have been sold. Both the principal balance and any interest earnings may be expended from the fund. As a result, the Permanent Fund has been reclassified as Special Revenue Fund type.

The Village established a Special Revenue Fund to deposit income taxes and then to distribute tax collections to other funds as needed. The Village’s income tax levy contains no restrictions. As a result, the Income Tax Fund has been reclassified as part of the General Fund.

The adjustments had the following effect to the January 1, 2016 balances:

	<u>General Fund</u>	<u>Special Revenue Fund Type</u>	<u>Permanent Fund Type</u>
Amounts previously reported as of December 31, 2015	\$102,743	\$309,743	\$7,369
Reclassify Permanent Fund to Special Revenue Fund	-	7,369	(7,369)
Reclassify Income Tax Fund to General Fund	<u>32,228</u>	<u>(32,228)</u>	<u>-</u>
Amounts reported as of January 1, 2016	<u>\$134,971</u>	<u>\$284,884</u>	<u>\$ -</u>

Bastin & Company, LLC

Certified Public Accountants

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
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 cash balances, receipts, and disbursements by fund type of the Village of Sardinia, Brown County, (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated May 14, 2018, 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 and restated prior reported fund cash balances.

Internal Controls 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-01 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-02.

Village's Response to Findings

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
May 14, 2018

Village of Sardinia, Ohio
Brown County
Schedule of Findings
December 31, 2017 and 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2017-01 – Audit Adjustments

Material Weakness - Financial Reporting

The following audit adjustments were required to be made to the financial statements that were not initially identified by the Village's internal control.

Adjustments were made that resulted in changes in fund cash balances as follows:

- During prior years and 2016 and 2017, the Village reported its Income Tax Fund as a Special Revenue Fund type. The Villages income tax levy is a general levy with no restrictions and should be reported within the General Fund. As a result, the January 1, 2016 fund cash balances of the General and Special Revenue Fund types have been restated and the 2016 and 2017 income tax fund activities have been presented within the General Fund. Related transfers between the funds have been eliminated.
- During prior years and during 2016 and 2017, the Village reported its Cemetery Care Fund as a Permanent Fund Type. The Village deposits 25% of cemetery lot sales to finance maintenance costs after all lots have been sold and intends to use the balance of the fund and any interest earnings for future care. Since the fund will expend the accumulated principal of the fund, this fund has been presented within the Special Revenue Fund type. The January 1, 2016 fund cash balance of the fund and the 2016 and 2017 activities have been reclassified as activities of the Special Revenue Fund type.
- During 2016 and 2017, the Village's police department maintained an auxiliary bank account that has not been accounted for as an account owned by the Village. The account was established using the Village's tax identification number and therefore should be considered as part of the Village's cash balance and its activity. The 2016 and 2017 Special Revenue Fund type activities have been corrected for the balance and activity within this account.

Reclassifications made that resulted in changes to recorded receipt and disbursement classifications were as follows:

- For 2017 and 2016, reclassification entries totaling \$6,422 and \$6,584 were made to various funds to properly present property tax rollback receipt transactions as Intergovernmental Receipts. The Village had initially presented these items as Property and Other Local Taxes.
- For 2017 and 2016, reclassification entries totaling \$10,521 and \$8,196, respectively, were made to properly classify various receipts in the Enterprise Type Funds. The Village had reported these receipts as non-operating miscellaneous receipts.
- For 2017 and 2016, a portion of the General Fund's unassigned fund cash balance was reclassified to assigned fund balance in the amounts of \$44,586 and \$34,151, respectively. The reclassification were made to report the portion of year end fund cash balance that has been

assigned to fund the subsequent year's appropriations in accordance with the requirements of GASB 54.

- For 2017 and 2016 the accounting system was not updated and did not properly reflect budgeted receipts as established by the certificate of estimated resources approved by the County Budget Commission for several funds of the Village.

The Village's financial statements and footnotes have been adjusted to reflect proper amounts.

The presentation of materially correct financial statements and the related footnotes is the responsibility of management. We recommend that the Village implement control procedures that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes. In addition, the auxiliary police department account should be brought under the normal accounting process and subjected to controls applied to other Village Accounts.

Village's Response

The Village will attempt to correct the recording of these items in the future.

FINDING NUMBER 2017-02 – Certification of Fund Availability

Noncompliance

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.
2. Blanket Certificate - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate - The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During fiscal years 2017 and 2016, 40 percent of purchase orders tested were not properly certified prior to incurring the obligation or were not approved by ordinance or resolution when a then and now certificate for purchases of \$3,000 or more was made.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used and Council must approve then and now certificates for purchases of \$3,000 or more.

Village's Response

The Village will attempt to ensure certifications are properly performed in the future.

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Village of Sardinia, Ohio
Brown County
Summary Schedule of Prior Audit Findings
December 31, 2017 and 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Audit Adjustments	Not corrected	Current year conditions included as finding number 2017-01

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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
JUNE 28, 2018**