

VILLAGE OF SARDINIA, OHIO
BROWN COUNTY, OHIO

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

OHIO AUDITOR OF STATE
KEITH FABER



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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, 2020 through December 31, 2021. 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 cursive script that reads 'Keith Faber'.

Keith Faber
Auditor of State
Columbus, Ohio

June 14, 2022

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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 Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Village of Sardinia, Brown County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2021 and 2020, or the changes in financial position or, where applicable, cash flows thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matters

As discussed in Note 13 to the financial statements, during 2021 and 2020, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinion regarding this matter. As discussed in Note 14 and 15 to the 2020 financial statements, the Village restated beginning fund cash balances and made several changes to its reporting model. We did not modify our opinion regarding these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2022, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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.

Bastin & Company, L L C

Williamsburg, Ohio
May 20, 2022

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, 2021

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 8,583	\$ 42,011	\$ 50,594
Municipal Income Tax	215,202	-	215,202
Intergovernmental	12,873	130,256	143,129
Charges for Services	-	22,476	22,476
Fines, Licenses and Permits	37,519	3,080	40,599
Earnings on Investments	1,341	88	1,429
Miscellaneous	13,862	8,989	22,851
<i>Total Cash Receipts</i>	<u>289,380</u>	<u>206,900</u>	<u>496,280</u>
Cash Disbursements			
Current:			
Security of Persons and Property	15,658	95,771	111,429
Public Health Services	1,827	33,867	35,694
Basic Utility Service	4,080	-	4,080
Transportation	-	54,875	54,875
General Government	106,943	21,578	128,521
Capital Outlay	-	18,790	18,790
Debt Service:			
Principal Retirement	-	16,778	16,778
Interest and Fiscal Charges	-	1,783	1,783
<i>Total Cash Disbursements</i>	<u>128,508</u>	<u>243,442</u>	<u>371,950</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>160,872</u>	<u>(36,542)</u>	<u>124,330</u>
Other Financing Receipts (Disbursements)			
Sale of Fixed Assets	-	550	550
Transfers-In	-	111,700	111,700
Transfers-Out	(111,700)	-	(111,700)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(111,700)</u>	<u>112,250</u>	<u>550</u>
<i>Net Change in Fund Cash Balances</i>	49,172	75,708	124,880
<i>Fund Cash Balances, January 1</i>	<u>288,114</u>	<u>288,656</u>	<u>576,770</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 337,286</u>	<u>\$ 364,364</u>	<u>\$ 701,650</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 Fund Types
For the Year Ended December 31, 2021

	<u>Proprietary Fund Types</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$ 920,421
<i>Total Operating Cash Receipts</i>	<u>920,421</u>
Operating Cash Disbursements	
Personal Services	120,570
Employee Fringe Benefits	60,857
Contractual Services	351,235
Supplies and Materials	82,452
Other	3,221
<i>Total Operating Cash Disbursements</i>	<u>618,335</u>
<i>Operating Income (Loss)</i>	<u>302,086</u>
Non-Operating Receipts (Disbursements)	
Sale of Fixed Assets	550
Principal Retirement	(150,967)
Interest and Other Fiscal Charges	(37,420)
Capital Outlay	(146,484)
Miscellaneous Receipts	8,212
Intergovernmental Receipts	1,829
Proceeds from Loans	86,920
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(237,360)</u>
<i>Income (Loss) before Transfers</i>	<u>64,726</u>
Transfers-In	77,020
Transfers-Out	(77,020)
<i>Net Change in Fund Cash Balances</i>	<u>64,726</u>
<i>Fund Cash Balances, January 1</i>	<u>816,108</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 880,834</u>

See accompanying notes to the basic financial statements

Village of Sardinia
Brown County
Combined Statement of Additions, Deductions
and Changes in Fund Balances (Regulatory Cash Basis)
All Fiduciary Fund Types
For the Year Ended December 31, 2021

	Fiduciary Fund Types
	Custodial
Additions	
Fines, Licenses and Permits for Distribution	48,429
<i>Total Additions</i>	48,429
Deductions	
Other Distributions	49,490
<i>Total Deductions</i>	49,490
<i>Net Change in Fund Balances</i>	(1,061)
<i>Fund Cash Balances, January 1</i>	4,356
<i>Fund Cash Balances, December 31</i>	\$ 3,295

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, 2021

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, and police protection. The Village contracts with the Eastern Joint Fire and EMS District for fire protection and emergency services.

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.

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.

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Fiduciary Funds Fiduciary funds include private purpose trust funds, investment trust funds, and custodial funds. Trust funds account for assets held under a trust agreement meeting certain criteria.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial fund accounts for the financial activity of the Village Mayor's Court.

For regulatory purposes, certain own source revenues are permitted to flow through clearing funds presented as custodial funds. The amounts distributed to the other funds of the entity are identified on the combined statement of additions, deductions and changes in fund balances (regulatory cash basis) for all fiduciary fund types. Also, for regulatory purposes, certain deposits and clearing funds are permitted to be presented as custodial funds.

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(C). 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(C) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain custodial 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.

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 2021 budgetary activity appears in Note 3.

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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* 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.

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 251,230	\$ 289,380	\$ 38,150
Special Revenue	309,113	319,150	10,037
Enterprise	1,156,095	1,094,952	(61,143)
Total	\$ 1,716,438	\$ 1,703,482	\$ (12,956)

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 281,830	\$ 242,611	\$ 39,219
Special Revenue	365,751	303,570	62,181
Enterprise	1,371,606	1,216,642	154,964
Total	\$ 2,019,187	\$ 1,762,823	\$ 256,364

Note 4 – Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2021
Demand deposits	\$1,578,906
Certificates of deposit	6,873
Total deposits	\$1,585,779

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2021, the Village is holding \$7,702 in unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Depository Insurance Corporation, or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 5 – 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.

Note 6 – 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.

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 7 – 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 2021, 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, 2021.

Note 8 – 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 0 percent during calendar year 2021.

Note 9 – Debt

Debt outstanding at December 31, 2021 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan #4439	\$ 1,531,214	1.50%
OWDA Loan #6720	148,441	2.00%
OWDA Loan #7005	53,994	0.75%
OWDA Loan #8536	128,809	0.62%
OWDA Loan #9143	86,675	0.36%
OPWC Loan #CO03I	175,915	0.00%
OPWC Loan #CT530	11,001	0.00%
Water System Refunding Bonds	238,108	3.33%
Utility Tractor Capital Lease	5,458	0.00%
Police Cruiser Capital Lease	17,159	4.95%
Excavator Capital Lease	22,435	4.29%
Total	<u>\$ 2,419,209</u>	

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%.

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2021

OWDA Loan #8536 relates to the Purdy Road sanitary sewer extension. The project was completed in 2020. The Village financed \$147,721, with the first payment made in 2020 and the final payment scheduled for 2034, at an interest rate of 0.62%.

OWDA Loan #9143 relates to the water main replacement project for Charlotte, Mae and Alley Streets. The project was completed in 2021 but a final amortization schedule has not yet been established. The total loan amount was \$88,234, with \$1,314 distributed in 2020 and \$86,920 distributed in 2021. A principal payment in the amount of \$1,559 was made in 2021, bringing the outstanding principal balance at the end of 2021 to \$86,675.

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 2034. The interest rate is 3.33%.

Leases

During 2018, the Village entered into a capital lease purchase agreement with John Deere Financial in the amount of \$17,231. The capital lease is for a utility tractor and related equipment. The Village is making monthly payments of \$287.18, with 0% interest, with the first payment made in August 2018 and the final payment due July 25, 2023.

During 2019, the Village entered into a capital lease purchase agreement with GM Financial in the amount of \$44,246. The capital lease is for a Chevrolet Tahoe police cruiser. The Village is making semi-annual payments of \$5,990.82, including 4.95% interest, with the first payment made in August 2019 (all principal) and the final payment due in 2023.

During 2019, the Village entered into a capital lease purchase agreement with JCB Finance in the amount of \$48,800 for a mini excavator. The Village is making monthly payments of \$905.11, including 4.29% interest, with the first payment made in April 2019 and the final payment due March 1, 2024.

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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

Year ending December 31:	OWDA Loan #4439	OWDA Loan #6720	OWDA Loan #7005	OWDA Loan #8536	OPWC Loan #CO03I	OPWC Loan #CT530
2022	\$ 108,001	\$ 8,225	\$ 4,070	\$ 10,328	\$ 23,456	\$ 524
2023	108,001	8,225	4,070	10,328	23,455	524
2024	108,001	8,225	4,070	10,328	23,456	524
2025	108,001	8,225	4,070	10,328	23,455	524
2026	108,001	8,225	4,070	10,328	23,455	524
2027-2031	540,005	41,126	20,350	51,640	58,638	2,620
2032-2036	540,005	41,126	16,279	30,986	-	2,620
2037-2041	108,000	41,126	-	-	-	2,620
2042-2044	-	20,562	-	-	-	521
Total	<u>\$ 1,728,015</u>	<u>\$ 185,065</u>	<u>\$ 56,979</u>	<u>\$ 134,266</u>	<u>\$ 175,915</u>	<u>\$ 11,001</u>

Year ending December 31:	Water System					Total (*)
	Refunding Bonds	Utility Tractor Capital Lease	Police Cruiser Capital Lease	Excavator Capital Lease		
2022	\$ 24,345	\$ 3,446	\$ 11,982	\$ 10,861		\$ 205,238
2023	24,345	2,012	5,991	10,862		197,813
2024	24,345	-	-	1,810		180,759
2025	24,345	-	-	-		178,948
2026	24,345	-	-	-		178,948
2027-2031	121,725	-	-	-		836,104
2032-2036	49,319	-	-	-		680,335
2037-2041	-	-	-	-		151,746
2042-2044	-	-	-	-		21,083
Total	<u>\$ 292,769</u>	<u>\$ 5,458</u>	<u>\$ 17,973</u>	<u>\$ 23,533</u>		<u>\$ 2,630,974</u>

(*) Excludes amounts related to the OWDA loan #9143 for the Charlotte, Mae and Alley Streets Water Main Replacement, which has not been finalized

Note 10 – Transfers

During 2021, the Village transferred the following amounts between funds:

Transfer-Out Fund	Transfer-In Fund	Amount
General	Street	\$ 33,000
General	Cemetery	16,700
General	Police	62,000
Water	Water CIF	42,590
Sewer	Sewer CIF	34,430
Total Transfers		<u>\$ 188,720</u>

The transfers were to provide funding for operations or provide funds for debt service requirements paid by those funds.

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Total
Outstanding Encumbrances	\$ 2,403	\$ 60,128	\$ 62,531
<i>Total</i>	\$ 2,403	\$ 60,128	\$ 62,531

The fund balance of special revenue funds is either restricted or committed. These restricted, committed and assigned amounts in the special revenue funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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, 2020

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 13,284	\$ 40,550	\$ 53,834
Municipal Income Tax	190,624	-	190,624
Intergovernmental	75,732	129,608	205,340
Charges for Services	-	16,600	16,600
Fines, Licenses and Permits	41,470	4,160	45,630
Earnings on Investments	1,876	87	1,963
Miscellaneous	9,405	12,788	22,193
<i>Total Cash Receipts</i>	<u>332,391</u>	<u>203,793</u>	<u>536,184</u>
Cash Disbursements			
Current:			
Security of Persons and Property	15,408	153,420	168,828
Public Health Services	1,825	35,244	37,069
Basic Utility Service	4,585	-	4,585
Transportation	-	53,070	53,070
General Government	177,112	14,874	191,986
Capital Outlay	-	13,422	13,422
Debt Service:			
Principal Retirement	-	16,086	16,086
Interest and Fiscal Charges	-	2,475	2,475
<i>Total Cash Disbursements</i>	<u>198,930</u>	<u>288,591</u>	<u>487,521</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>133,461</u>	<u>(84,798)</u>	<u>48,663</u>
Other Financing Receipts (Disbursements)			
Sale of Fixed Assets	-	769	769
Transfers-In	-	111,700	111,700
Transfers-Out	(111,700)	-	(111,700)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(111,700)</u>	<u>112,469</u>	<u>769</u>
<i>Net Change in Fund Cash Balances</i>	21,761	27,671	49,432
<i>Fund Cash Balances, January 1, Restated</i>	<u>266,353</u>	<u>260,985</u>	<u>527,338</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 288,114</u>	<u>\$ 288,656</u>	<u>\$ 576,770</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 Fund Types
For the Year Ended December 31, 2020

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 887,495
<i>Total Operating Cash Receipts</i>	<i>887,495</i>
Operating Cash Disbursements	
Personal Services	117,617
Employee Fringe Benefits	57,887
Contractual Services	331,851
Supplies and Materials	90,233
Other	5,347
<i>Total Operating Cash Disbursements</i>	<i>602,935</i>
<i>Operating Income (Loss)</i>	<i>284,560</i>
Non-Operating Receipts (Disbursements)	
Sale of Fixed Assets	300
Principal Retirement	(135,266)
Interest and Other Fiscal Charges	(39,399)
Capital Outlay	(29,689)
Miscellaneous Receipts	4,460
Proceeds from Loans	1,314
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(198,280)</i>
<i>Income (Loss) before Transfers</i>	<i>86,280</i>
Transfers-In	70,224
Transfers-Out	(70,224)
<i>Net Change in Fund Cash Balances</i>	<i>86,280</i>
<i>Fund Cash Balances, January 1, Restated</i>	<i>729,828</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 816,108</i>

See accompanying notes to the basic financial statements

Village of Sardinia
Brown County
Combined Statement of Additions, Deductions
and Changes in Fund Balances (Regulatory Cash Basis)
All Fiduciary Fund Types
For the Year Ended December 31, 2020

	Fiduciary Fund Types
	Custodial
Additions	
Fines, Licenses and Permits for Distribution	56,891
<i>Total Additions</i>	56,891
Deductions	
Other Distributions	55,906
<i>Total Deductions</i>	55,906
<i>Net Change in Fund Balances</i>	985
<i>Fund Cash Balances, January 1</i>	3,371
<i>Fund Cash Balances, December 31</i>	\$ 4,356

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, 2020

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, and police protection. The Village contracts with the Eastern Joint Fire and EMS District for fire protection and emergency services.

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.

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.

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Fiduciary Funds Fiduciary funds include private purpose trust funds, investment trust funds, and custodial funds. Trust funds account for assets held under a trust agreement meeting certain criteria.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial fund accounts for the financial activity of the Village Mayor's Court.

For regulatory purposes, certain own source revenues are permitted to flow through clearing funds presented as custodial funds. The amounts distributed to the other funds of the entity are identified on the combined statement of additions, deductions and changes in fund balances (regulatory cash basis) for all fiduciary fund types. Also, for regulatory purposes, certain deposits and clearing funds are permitted to be presented as custodial funds.

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(C). 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 (C) 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.

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 2020 budgetary activity appears in Note 3.

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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* 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.

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 456,509	\$ 332,391	\$ (124,118)
Special Revenue	285,070	316,262	31,192
Enterprise	902,824	963,793	60,969
Total	\$ 1,644,403	\$ 1,612,446	\$ (31,957)

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 687,964	\$ 318,025	\$ 369,939
Special Revenue	389,838	293,555	96,283
Enterprise	1,114,345	946,613	167,732
Total	\$ 2,192,147	\$ 1,558,193	\$ 633,954

Note 4 – Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2020
Demand deposits	\$1,390,370
Certificates of deposit	6,864
Total deposits	\$1,397,234

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2020, the Village is holding \$7,010 in unremitted employee payroll withholdings.

Deposits are insured by the Federal Depository Insurance Corporation, or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 5 – 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.

Note 6 – 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.

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 7 – 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 2020, 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, 2020.

Note 8 – 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 0 percent during calendar year 2020.

Note 9 – Debt

Debt outstanding at December 31, 2020 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan #4439	\$ 1,615,300	1.50%
OWDA Loan #6720	153,620	2.00%
OWDA Loan #7005	57,639	0.75%
OWDA Loan #8536	138,294	0.62%
OWDA Loan #9143	1,314	0.36%
OPWC Loan #CO03I	199,371	0.00%
OPWC Loan #CT530	11,525	0.00%
Water System Refunding Bonds	254,007	3.33%
Utility Tractor Capital Lease	8,904	0.00%
Police Cruiser Bonds 2014	27,952	2.25%
Excavator Capital Lease	32,108	4.29%
Total	<u>\$ 2,500,034</u>	

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%.

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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%.

OWDA Loan #8536 relates to the Purdy Road sanitary sewer extension. The project was completed in 2020. The Village financed \$147,721, with the first payment made in 2020 and the final payment scheduled for 2034, at an interest rate of 0.62%.

OWDA Loan #9143 relates to a water main replacement project for Charlotte, Mae and Alley Streets. The project is still in progress, and the loan repayment schedule will not be finalized until the project is complete and final project costs are known. As of December 31, 2020, \$1,314 has been disbursed.

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 now scheduled for 2034, after a restructure of the amortization schedule following an extra principal payment made in 2018 in the amount of \$48,850. The interest rate is 3.33%.

Leases

During 2018, the Village entered into a capital lease purchase agreement with John Deere Financial in the amount of \$17,231. The capital lease is for a utility tractor and related equipment. The Village is making monthly payments of \$287.18, with 0% interest, with the first payment made in August 2018 and the final payment due July 25, 2023.

During 2019, the Village entered into a capital lease purchase agreement with GM Financial in the amount of \$44,246. The capital lease is for a Chevrolet Tahoe police cruiser. The Village is making semi-annual payments of \$5,990.82, including 4.95% interest, with the first payment made in August 2019 (all principal) and the final payment due in 2023.

During 2019, the Village entered into a capital lease purchase agreement with JCB Finance in the amount of \$48,800 for a mini excavator. The Village is making monthly payments of \$905.11, including 4.29% interest, with the first payment made in April 2019 and the final payment due March 1, 2024.

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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

Year ending December 31:	OWDA Loan #4439	OWDA Loan #6720	OWDA Loan #7005	OWDA Loan #8536	OPWC Loan #CO03I	OPWC Loan #CT530
2021	\$ 108,001	\$ 8,225	\$ 4,070	\$ 10,328	\$ 23,456	\$ 524
2022	108,001	8,225	4,070	10,328	23,456	524
2023	108,001	8,225	4,070	10,328	23,456	524
2024	108,001	8,225	4,070	10,328	23,456	524
2025	108,001	8,225	4,070	10,328	23,456	524
2026-2030	540,003	41,126	20,350	51,640	82,091	2,620
2031-2035	540,003	41,126	20,350	41,314	-	2,620
2036-2040	216,002	41,126	-	-	-	2,620
2041-2044	-	28,787	-	-	-	1,045
Total	\$ 1,836,013	\$ 193,290	\$ 61,050	\$ 144,594	\$ 199,371	\$ 11,525

Year ending December 31:	Water System Refunding Bonds	Utility Tractor Capital Lease	Police Cruiser Capital Lease	Excavator Capital Lease	Total (*)
2021	\$ 24,345	\$ 3,446	\$ 11,982	\$ 10,862	\$ 205,239
2022	24,345	3,446	11,982	10,862	205,239
2023	24,345	2,012	5,991	10,862	197,814
2024	24,345	-	-	1,810	180,759
2025	24,345	-	-	-	178,949
2026-2030	121,725	-	-	-	859,555
2031-2035	73,664	-	-	-	719,077
2036-2040	-	-	-	-	259,748
2041-2044	-	-	-	-	29,832
Total	\$ 317,114	\$ 8,904	\$ 29,955	\$ 34,396	\$ 2,836,212

(*) Excludes amounts related to the OWDA loan #9143, which has not been finalized

Note 10 – Transfers

During 2020, the Village transferred the following amounts between funds:

Transfer-Out Fund	Transfer-In Fund	Amount
General	Street	\$ 43,000
General	Cemetery	8,700
General	Police	60,000
Water	Water CIF	36,317
Sewer	Sewer CIF	33,907
Total Transfers		\$ 181,924

The transfers were to provide funding for operations or provide funds for debt service requirements paid by those funds.

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Total
Outstanding Encumbrances	\$ 7,395	\$ 4,964	\$ 12,359
<i>Total</i>	<i>\$ 7,395</i>	<i>\$ 4,964</i>	<i>\$ 12,359</i>

The fund balance of special revenue funds is either restricted or committed. These restricted, committed and assigned amounts in the special revenue funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Note 14 – Restatement of Fund Balances

The fund cash balances of the Village at January 1, 2020 have been restated for various items voided in 2020 originally reported during 2019. These adjustments resulted in the following changes in fund balances at January 1, 2020:

	General Fund	Proprietary Fund Type
Fund balance December 31, 2019, as previously reported	\$265,793	\$729,843
Voided checks	560	5
Voided receipts	-	(20)
Fund balance January 1, 2020, restated	<u>\$ 266,353</u>	<u>\$ 729,828</u>

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 15 – Change in Reporting Model

For 2020, the Village has made changes to their cash basis reporting model. These changes include modifications to the definition of fiduciary funds, and removing the fund balance classifications from the combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) – all governmental fund types. There was no effect on the beginning fund balance.

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 of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2021 and 2020 and the related notes to the financial statements of the Village of Sardinia, Brown County, (the Village) and have issued our report thereon dated May 20, 2022, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit and we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. In addition, in 2020, the Village restated beginning fund cash balances and made several changes to its reporting model.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2021-01 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bastin & Company, LLC

Williamsburg, Ohio
May 20, 2022

Village of Sardinia, Ohio
Brown County
Schedule of Findings
December 31, 2021 and 2020

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2021-01 – 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.

- For 2021, an adjusting entry totaling \$88,164 was made to properly classify the proceeds from an Ohio Water Development Authority (OWDA) loan. The Village recorded this transaction as other financing sources.
- For 2020 and 2021, adjustments were made totaling \$1,314 to properly record an OWDA loan transaction in the proper year. The Village recorded a 2020 transaction in 2021.
- For 2021, adjusting entries totaling \$1,050 were made to properly classify expenditures in the General Fund as general government.. The Village recorded these transactions as other financing uses.
- For 2021, adjusting entries totaling \$6,800 were made to properly classify expenses in the enterprise funds as contractual services. The Village recorded these transaction as other expenses.
- For 2020, adjusting entries totaling \$1,128 were made to various funds to properly present principal and interest payments on debt. The Village recorded various amounts for interest expense as principal retirement.

In addition to the above adjustments, for 2021, the accounting system did not properly reflect budgeted receipts as established by the certificate of estimated resources approved by the County Budget Commission resulting in inaccurate budgetary data to be produced by the accounting system.

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 to properly classify funds by fund type.

Village's Response

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

Village of Sardinia, Ohio
Brown County
Summary Schedule of Prior Audit Findings
December 31, 2021 and 2020

Finding Number	Finding Summary	Status	Additional Information
2019-01	Audit Adjustments	Not corrected	Current year conditions included as finding number 2021-01
2019-02	Certification of Fund Availability	Corrected	

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF SARDINIA

BROWN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 6/28/2022

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