



**VILLAGE OF SARDINIA
BROWN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001-2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF SARDINIA
BROWN COUNTY

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Sardinia, Brown County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2002, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of our audit performed in accordance with the *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

June 12, 2002

**VILLAGE OF SARDINIA
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property Tax and Other Local Taxes	\$4,800	\$127,285	\$0	\$0	\$132,085
Intergovernmental Receipts	18,517	56,807			75,324
Charges for Services	75	29,875		28,797	58,747
Fines, Licenses, and Permits	13,178	1,440			14,618
Earnings on Investments	6,867	645			7,512
Miscellaneous	2,844	22,168		365	25,377
Total Cash Receipts	<u>46,281</u>	<u>238,220</u>	<u>0</u>	<u>29,162</u>	<u>313,663</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	8,310	130,317			138,627
Public Health Services	1,178	24,386			25,564
Transportation		33,288			33,288
General Government	50,157	12,697			62,854
Debt Service	89,593		29,025	21,037	139,655
Capital Outlay	80,000	45,316	368	34,435	160,119
Total Cash Disbursements	<u>229,238</u>	<u>246,004</u>	<u>29,393</u>	<u>55,472</u>	<u>560,107</u>
Total Receipts Over/(Under) Disbursements	<u>(182,957)</u>	<u>(7,784)</u>	<u>(29,393)</u>	<u>(26,310)</u>	<u>(246,444)</u>
Other Financing Receipts/(Disbursements):					
Sale of Bonds or Notes	160,000	26,000		32,000	218,000
Transfers-In	62,000	62,000	30,000		154,000
Transfers-Out	(62,000)	(62,000)			(124,000)
Total Other Financing Receipts/(Disbursements)	<u>160,000</u>	<u>26,000</u>	<u>30,000</u>	<u>32,000</u>	<u>248,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(22,957)</u>	<u>18,216</u>	<u>607</u>	<u>5,690</u>	<u>1,556</u>
Fund Cash Balances January 1	<u>58,126</u>	<u>44,028</u>	<u>7,708</u>	<u>26,727</u>	<u>136,589</u>
Fund Cash Balances, December 31	<u>\$35,169</u>	<u>\$62,244</u>	<u>\$8,315</u>	<u>\$32,417</u>	<u>\$138,145</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$1,892</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,892</u>

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

**VILLAGE OF SARDINIA
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$304,887	\$0	\$0	\$304,887
Interest	339			339
Miscellaneous	9,652			9,652
Total Operating Cash Receipts	314,878	0	0	314,878
Operating Cash Disbursements:				
Personal Services	58,430			58,430
Fringe Benefits	22,091			22,091
Contractual Services	135,884			135,884
Supplies and Materials	16,872			16,872
Capital Outlay	45,988			45,988
Miscellaneous	978			978
Total Operating Cash Disbursements	280,243			280,243
Operating Income/(Loss)	34,635	0	0	34,635
Non-Operating Cash Receipts:				
Proceeds from Notes and Bonds	30,000			30,000
Other Non-Operating Receipts			23,628	23,628
Total Non-Operating Cash Receipts	30,000	0	23,628	53,628
Non-Operating Cash Disbursements:				
Debt Service	73,461			73,461
Other Non-Operating Cash Disbursements			23,628	23,628
Total Non-Operating Cash Disbursements	73,461	0	23,628	97,089
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(8,826)	0	0	(8,826)
Transfers-In	10,000			10,000
Transfers-Out	(40,000)			(40,000)
Net Receipts Over/(Under) Disbursements	(38,826)	0	0	(38,826)
Fund Cash Balances, January 1	138,754	6,375	0	145,129
Fund Cash Balances, December 31	\$99,928	\$6,375	\$0	\$106,303
Reserve for Encumbrances, December 31	\$368	\$0	\$0	\$368

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

VILLAGE OF SARDINIA
BROWN COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts:					
Property Tax and Other Local Taxes	\$3,916	\$102,506	\$348	\$0	\$106,770
Intergovernmental Receipts	14,759	55,403			70,162
Charges for Services	1,387	24,355		28,552	54,294
Fines, Licenses, and Permits	29,826	1,060			30,886
Earnings on Investments	12,751	377			13,128
Miscellaneous	2,832	5,156			7,988
Total Cash Receipts	65,471	188,857	348	28,552	283,228
Cash Disbursements:					
Current:					
Security of Persons and Property	7,958	129,313			137,271
Public Health Services	1,161	21,167			22,328
Transportation		29,233			29,233
General Government	67,953	16,070			84,023
Debt Service	93,680	9,868	29,047		132,595
Capital Outlay		32,093	20,271	82,106	134,470
Total Cash Disbursements	170,752	237,744	49,318	82,106	539,920
Total Receipts Over/(Under) Disbursements	(105,281)	(48,887)	(48,970)	(53,554)	(256,692)
Other Financing Receipts/(Disbursements):					
Sale of Bonds or Notes	85,000			20,000	105,000
Transfers-In	72,400	76,222	30,000		178,622
Transfers-Out	(74,222)	(72,400)		(2,000)	(148,622)
Total Other Financing Receipts/(Disbursements)	83,178	3,822	30,000	18,000	135,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(22,103)	(45,065)	(18,970)	(35,554)	(121,692)
Fund cash balances, January 1	80,229	89,093	26,678	62,281	258,281
Fund Cash Balances, December 31	\$58,126	\$44,028	\$7,708	\$26,727	\$136,589

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

**VILLAGE OF SARDINIA
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$311,486	\$0	\$0	\$311,486
Interest	690			690
Miscellaneous	11,685			11,685
Total Operating Cash Receipts	323,861	0	0	323,861
Operating Cash Disbursements:				
Personal Services	67,148			67,148
Fringe Benefits	18,075			18,075
Contractual Services	112,929			112,929
Supplies and Materials	19,961			19,961
Capital Outlay	10,219			10,219
Miscellaneous	7,061			7,061
Total Operating Cash Disbursements	235,393	0	0	235,393
Operating Income/(Loss)	88,468	0	0	88,468
Non-Operating Cash Receipts:				
Proceeds from Notes and Bonds	35,000			35,000
Other Non-Operating Receipts			30,006	30,006
Total Non-Operating Cash Receipts	35,000	0	30,006	65,006
Non-Operating Cash Disbursements:				
Debt Service	80,826			80,826
Other Non-Operating Cash Disbursements	5,000		30,006	35,006
Total Non-Operating Cash Disbursements	85,826	0	30,006	115,832
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	37,642	0	0	37,642
Transfers-In	10,736			10,736
Transfers-Out	(40,736)			(40,736)
Net Receipts Over/(Under) Disbursements	7,642	0	0	7,642
Fund cash balances, January 1	131,112	6,375	0	137,487
Fund Cash Balances, December 31	\$138,754	\$6,375	\$0	\$145,129

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

**VILLAGE OF SARDINIA
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Sardinia, Brown County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including road maintenance, police protection, and utilities.

The Village's management believes these financial statements present all activities for which the Village is financially accountable, except debt service funds maintained by outside custodians are not included in these financial statements. Assets held by custodians are described in Note 9 to the financial statements.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash Deposits

The Village maintains all available funds in an interest-bearing checking account and certificate of deposit which is valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund

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

**VILLAGE OF SARDINIA
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Street Operating Fund

This fund's primary source of income is derived from taxes levied by the Village to pay for repair and maintenance of Village streets and sidewalks.

Police Operating Fund

This fund's primary source of income is derived from taxes levied by the Village to pay the salaries and fringe benefits of Village police officers.

Income Tax Fund

This fund is used to account for receipts derived from the Village income tax ordinance. Disbursements are for the salary and enforcement efforts of the Income Tax Commissioner and transfers to other funds, for the general operating expenses of the Village.

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds, note indebtedness, and an Ohio Water Development Authority loan. The Village had the following significant debt service fund:

Sewer Debt Fund

Used to retire debt issued from an Ohio Water Development Authority loan.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Fire Capital Fund

Primary source is receipts from fire contracts with four neighboring townships.

5. Enterprise Funds

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

Water Fund

This fund receives charges for services from residents to cover the cost of providing this utility.

**VILLAGE OF SARDINIA
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sewer Fund

This fund receives charges for services from residents to cover the cost of providing this utility.

Trash Operating Fund

This fund receives charges for services from residents to cover the cost of providing this utility.

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Funds:

Cemetery Fund

A non-expendable trust fund used to account for the principal amounts of monies left to the Village to be used for the upkeep of the Village cemetery.

Mayor's Court Fund

An agency fund used to account for monies received, by the public, in the form of court costs, fines, bonds, and/or restitution.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

**VILLAGE OF SARDINIA
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law; however, as December 31, 2001 and 2000 there were no material unrecorded encumbrances.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH DEPOSITS

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

	<u>2001</u>	<u>2000</u>
Demand deposits	\$ 238,298	\$ 275,568
Certificates of deposit	6,150	6,150
Total	\$ 244,448	\$ 281,718

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 209,089	\$ 268,281	\$ 59,192
Special Revenue	318,702	326,220	7,518
Debt Service	30,000	30,000	0
Capital Projects	50,000	61,162	11,162
Enterprise	350,000	354,878	4,878
Total	\$ 957,791	\$ 1,040,541	\$ 82,750

**VILLAGE OF SARDINIA
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 233,930	\$ 291,238	\$ (57,308)
Special Revenue	319,850	309,896	9,954
Debt Service	36,368	29,393	6,975
Capital Projects	37,000	55,472	(18,472)
Enterprise	415,035	394,072	20,963
Total	\$ 1,042,183	\$ 1,080,071	\$ (37,888)

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 185,000	\$ 222,871	\$ 37,871
Special Revenue	272,487	265,079	(7,408)
Debt Service	30,000	30,348	348
Capital Projects	31,001	48,552	17,551
Enterprise	351,425	369,597	18,172
Total	\$ 869,913	\$ 936,447	\$ 66,534

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 217,180	\$ 244,974	\$ (27,794)
Special Revenue	361,859	310,144	51,715
Debt Service	55,321	49,318	6,003
Capital Projects	62,280	84,106	(21,826)
Enterprise	374,759	361,955	12,804
Total	\$ 1,071,399	\$ 1,050,497	\$ 20,902

In 2001, expenditures exceeded appropriations in the General Fund by \$57,308, Police Operating Fund by \$27,349, Police Overtime Fund by \$2,380, Fire Capital Fund by \$18,472, and the Water Replacement Fund by \$30,843.

In 2000, expenditures exceeded appropriations in the General Fund by \$27,795, Police Operating Fund by \$5,366, Computer Fund by \$400, Fire Capital Fund by \$21,826, Sewer Operating Fund by \$14,276 and Trash Operating Fund by \$1,958.

In 2000, appropriations exceeded estimated resources in the Street Levy Fund by \$23,480.

**VILLAGE OF SARDINIA
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. PROPERTY TAX

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

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

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

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

5. LOCAL INCOME TAX

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

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

6. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$ 181,807	6.90%
General Obligation Notes:		
Municipal Building Bond Anticipation Note	80,000	4.45%
Sewer Improvement Bond Anticipation Note	30,000	4.45%
Police Cruiser Bond Anticipation Note	26,000	4.75%
Fire Tanker Upgrade Note	32,000	5.60%
Defect Property Note	80,000	5.85%
Water Mortgage Revenue Bonds	394,239	5.90%
Total	\$ 824,046	

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer lines and plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA approved a loan, in 1977, of \$405,346 to the Village for this project. The loan will be repaid in annual installments of \$29,025, including interest, over 40 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF SARDINIA
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. DEBT (Continued)

In 1994 the Village issued mortgage revenue bonds in the principal amount of \$500,000 at a rate of 4.5%-6.875%. The Series 1994 bonds were issued for purpose of making improvements to the municipal water system. The bonds are payable over 30 years and are collateralized by future earnings afforded by the system.

In 2001 the Village issued five notes totaling \$248,000. The proceeds of the notes were used to purchase a police cruiser, purchase land, upgrade a fire tanker and make improvements to the village sewer system and municipal building. These are one year notes which the Village anticipates will be renewed for one year.

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

Year ending December 31:	OWDA Loan	General Obligation Notes	Mortgage Revenue Bonds
2002	\$ 29,025	\$ 260,602	\$ 40,428
2003	29,025	0	39,828
2004	29,025	0	39,218
2005	29,025	0	38,598
2006	29,025	0	37,968
Subsequent	116,100	0	706,625
Total	<u>\$ 261,225</u>	<u>\$ 260,602</u>	<u>\$ 902,665</u>

7. RETIREMENT SYSTEM

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PFDPF participants contribute 10% of their wages. The Village contributed an amount equal to 19.5% of police participant and 24% of fire participant wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

**VILLAGE OF SARDINIA
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Commercial Inland Marine;
- Public Officials Liability; and
- Law Enforcement Liability.

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

9. DEBT SERVICE TRUSTEED FUNDS

The Water System trust agreement required the Village to establish debt service funds to be maintained by the custodian bank. The Village has established these funds. At December 31, 2001, the custodian held \$41,838 in Village assets. These assets and the related receipts and disbursements, are not reflected in the accompanying financial statements.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Sardinia, Brown County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 12, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-30401-001 through 2001-30401-003. We also noted immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 12, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2001-30401-003 and 2001-30401-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses.

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Brown County
Report of Independent Accountants on Compliance and on
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We also noted other matters involving the internal control structure over financial reporting that do not require inclusion in this report that we have reported to the management of the Village in a separate letter dated June 12, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

June 12, 2002

**VILLAGE OF SARDINIA
BROWN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-30401-001

Material Noncompliance

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated. Expenditures exceeded appropriations in the following funds:

2001 Fund	Appropriations	Expenditures	Variance
General	\$233,930	\$291,238	\$(57,308)
Police Operating	80,200	107,549	(27,349)
Police Overtime		2,380	(2,380)
Fire Capital	37,000	55,472	(18,472)
Water Replacement		30,843	(30,843)

2000 Fund	Appropriations	Expenditures	Variance
General	\$217,180	\$244,975	\$(27,975)
Police Operating	77,242	82,608	(5,366)
Computer	1,500	1,900	(400)
Fire Capital	62,280	84,106	(21,826)
Sewer Operating	134,365	148,640	(14,276)
Trash Operating	26,000	27,958	(1,958)

FINDING NUMBER 2001-30401-002

Material Noncompliance

Ohio Rev. Code, Section 5705.39, requires that the total appropriations from each fund not exceed the total estimated resources for that fund. Appropriations exceeded estimated resources as of December 31, 2000 in the following fund:

2000 Fund	Appropriations	Estimated Resources	Variance
Street Levy	\$52,258	\$28,778	\$(23,480)

FINDING NUMBER 2001-30401-003

Material Noncompliance / Reportable Condition

Ohio Rev. 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. This Section also provides for two exceptions to the above requirement:

- A. Then-and-Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000 dollars, the fiscal officer may authorize payment through a Then-and-Now Certificate without affirmation of the Council, if such expenditure is otherwise valid.

Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need be certified.

Contrary to the above requirement, the availability of funds was not certified for 33% of disbursements tested. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash balances. Therefore, we recommend the Village obtain approved purchase orders, which contain the Clerk's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

FINDING NUMBER 2001-30401-004

Reportable Condition - Police Citation Log

The Police Chief failed to maintain a citation log. The purpose of a citation log is to maintain an independent record of all citations issued. Not maintaining a log of tickets issued reduces the assurance that all citations or cases and their related fines and court costs have been properly accounted for. Without this evidential matter, we were unable to obtain sufficient information regarding the disposition of 4% of court cases in which citations were issued during the audit period. To help prevent recording errors and add assurance that all cases have been documented, we recommend the Police Chief account for every citation issued by the police department on a citation log.

**VILLAGE OF SARDINIA
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-30401-001	Noncompliance citation of Ohio Rev. Code, Section 5705.41(B), for expenditures in excess of appropriations and Ohio Rev. Code, Section 5705.09, for Issue 2 funds not recorded on village records.	Yes	
1999-30401-002	Noncompliance citation of Ohio Rev. Code, Section 5705.41(D), for not certifying the availability of funds for commitments.	No	Not Corrected. FINDING NUMBER 2001-30401-003.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
JULY 2, 2002**