

VILLAGE OF SARDINIA, OHIO
BROWN COUNTY, OHIO

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018**

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

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, 2018 through December 31, 2019. 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

May 8, 2020

This page intentionally left blank.

VILLAGE OF SARDINIA, OHIO
BROWN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report.....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2019.....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2019.....	4
Notes to the Financial Statements for the Year Ended December 31, 2019	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2018.....	14
Combined Statement of Receipts, Disbursements, and Changes in Fund Balance (Regulatory Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2018.....	15
Notes to the Financial Statements for the Year Ended December 31, 2018	16
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	24
Schedule of Findings.....	26
Summary Schedule of Prior Audit Findings	29

This page intentionally left blank.

Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Sardinia, Brown County, (the Village), as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2019 and 2018, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Sardinia, Brown County as of December 31, 2019 and 2018, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 11 to the 2019 financial statements, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2020, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Cincinnati, Ohio
April 7, 2020

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, 2019

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 8,673	\$ 42,279	\$ -	\$ 50,952
Municipal Income Tax	182,325	-	-	182,325
Intergovernmental	66,320	64,379	56,750	187,449
Charges for Services	-	15,300	-	15,300
Fines, Licenses and Permits	56,938	6,250	-	63,188
Earnings on Investments	5,709	203	-	5,912
Miscellaneous	10,050	5,475	-	15,525
<i>Total Cash Receipts</i>	<u>330,015</u>	<u>133,886</u>	<u>56,750</u>	<u>520,651</u>
Cash Disbursements				
Current:				
Security of Persons and Property	14,538	84,557	-	99,095
Public Health Services	1,809	30,832	-	32,641
Transportation	-	54,749	-	54,749
General Government	103,946	58,492	-	162,438
Other	-	3,710	-	3,710
Capital Outlay	44,445	101,656	300	146,401
Debt Service:				
Principal Retirement	-	18,585	50,000	68,585
Interest and Fiscal Charges	-	858	6,750	7,608
<i>Total Cash Disbursements</i>	<u>164,738</u>	<u>353,439</u>	<u>57,050</u>	<u>575,227</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	165,277	(219,553)	(300)	(54,576)
Other Financing Receipts (Disbursements)				
Proceeds from Capital Leases	-	68,646	-	68,646
Sale of Fixed Assets	-	3,093	-	3,093
Transfers-In	-	84,500	-	84,500
Transfers-Out	(84,500)	-	-	(84,500)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(84,500)</u>	<u>156,239</u>	<u>-</u>	<u>71,739</u>
<i>Net Change in Fund Cash Balances</i>	80,777	(63,314)	(300)	17,163
<i>Fund Cash Balances, January 1</i>	<u>185,016</u>	<u>324,299</u>	<u>300</u>	<u>509,615</u>
Fund Cash Balances, December 31				
Restricted	-	260,985	-	260,985
Assigned	215,825	-	-	215,825
Unassigned	49,968	-	-	49,968
<i>Fund Cash Balances, December 31</i>	<u>\$ 265,793</u>	<u>\$ 260,985</u>	<u>\$ -</u>	<u>\$ 526,778</u>

See accompanying notes to the basic financial statements

Village of Sardinia, Ohio
Brown County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2019

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts			
Charges for Services	\$ 845,562	\$ -	\$ 845,562
<i>Total Operating Cash Receipts</i>	<u>845,562</u>	<u>-</u>	<u>845,562</u>
Operating Cash Disbursements			
Personal Services	142,175	-	142,175
Employee Fringe Benefits	62,214	-	62,214
Contractual Services	308,319	-	308,319
Supplies and Materials	76,648	-	76,648
Other	5,510	-	5,510
<i>Total Operating Cash Disbursements</i>	<u>594,866</u>	<u>-</u>	<u>594,866</u>
<i>Operating Income (Loss)</i>	<u>250,696</u>	<u>-</u>	<u>250,696</u>
Non-Operating Receipts (Disbursements)			
Sale of Fixed Assets	3,093	-	3,093
Principal Retirement	(135,058)	-	(135,058)
Interest and Other Fiscal Charges	(40,584)	-	(40,584)
Capital Outlay	(184,348)	-	(184,348)
Miscellaneous Receipts	15,659	-	15,659
Proceeds from Loans	147,721	-	147,721
Proceeds from Capital Leases	24,400	-	24,400
Other Financing Sources	-	76,666	76,666
Other Financing Uses	-	(80,143)	(80,143)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(169,117)</u>	<u>(3,477)</u>	<u>(172,594)</u>
<i>Income (Loss) before Transfers</i>	81,579	(3,477)	78,102
Transfers-In	63,954	-	63,954
Transfers-Out	(63,954)	-	(63,954)
<i>Net Change in Fund Cash Balances</i>	81,579	(3,477)	78,102
<i>Fund Cash Balances, January 1</i>	<u>648,264</u>	<u>6,848</u>	<u>655,112</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 729,843</u>	<u>\$ 3,371</u>	<u>\$ 733,214</u>

See accompanying notes to the basic financial statements

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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. Starting in 2019, the Village contracts with the Eastern Joint Fire and EMS District for fire protection and emergency services.

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Street Construction Maintenance and Repair The street construction maintenance and repair 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 The police operating fund accounts for and reports taxes received that are for the operation of the police department.

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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

Fire Capital Fund The fire capital fund accounts for and reports receipts from fire contracts with neighboring Townships for the purchase of fire equipment.

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

Water Operating Fund The water operating fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Operating Fund The sewer operating fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

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

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

Basis of Accounting

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

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

Budgetary Process

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

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

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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 2019 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned*

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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

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

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

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 822,761	\$ 330,015	\$ (492,746)
Special Revenue	399,157	290,125	(109,032)
Capital Projects	98,236	56,750	(41,486)
Enterprise	1,073,378	1,100,389	27,011
Total	\$ 2,393,532	\$ 1,777,279	\$ (616,253)

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 475,321	\$ 450,526	\$ 24,795
Special Revenue	452,388	360,444	91,944
Capital Projects	67,236	57,050	10,186
Enterprise	1,181,942	1,026,571	155,371
Total	\$ 2,176,887	\$ 1,894,591	\$ 282,296

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 4 – Deposits and Investments

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31, 2019 was as follows:

Demand deposits	\$1,253,131
Certificates of deposit	6,861
Total deposits	<u>\$1,259,992</u>

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.

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Income Taxes

The Village levies a municipal income tax of 1.0 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 6 – Risk Management

The Village has obtained commercial insurance for the following risks:

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Village 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

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 OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019.

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 – Debt

Debt outstanding at December 31, 2019 was as follows:

	Principal	Interest Rate
OWDA Loan #4439	\$ 1,698,139	1.50%
OWDA Loan #6720	158,697	2.00%
OWDA Loan #7005	61,256	0.75%
OWDA Loan #8536	147,721	0.62%
OPWC Loan #CO03I	211,098	0.00%
OPWC Loan #CT530	11,787	0.00%
Water System Refunding Bonds	269,394	3.33%
Utility Tractor Capital Lease	12,350	0.00%
Police Cruiser Capital Lease	38,255	4.95%
Excavator Capital Lease	41,375	4.29%
Total	\$ 2,650,072	

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%.

OWDA Loan #8536 relates to the Purdy Road sanitary sewer extension. 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, 2019, \$147,721 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 scheduled for 2034. The interest rate is 3.33%.

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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, 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 \$5,991, including 4.95% interest, with the first payment made in August 2019 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, including 4.29% interest, commencing April 1, 2019 with a final payment due March 1, 2024.

Excluding OWDA Loan #8536, which has not been finalized, amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	OWDA Loan #4439	OWDA Loan #6720	OWDA Loan #7005	OPWC Loan #CO03I	OPWC Loan #CT530
2020	\$ 108,001	\$ 8,225	\$ 4,070	\$ 23,456	\$ 524
2021	108,001	8,225	4,070	23,455	524
2022	108,001	8,225	4,070	23,456	524
2023	108,001	8,225	4,070	23,455	524
2024	108,001	8,225	4,070	23,455	524
2025-2029	540,003	41,126	20,350	93,821	2,620
2030-2034	540,003	41,126	20,350	-	2,620
2035-2039	324,003	41,126	4,069	-	2,620
2040-2044	-	37,014	-	-	1,307
Total	<u>\$ 1,944,014</u>	<u>\$ 201,517</u>	<u>\$ 65,119</u>	<u>\$ 211,098</u>	<u>\$ 11,787</u>

Year ending December 31:	Water System Refunding Bonds	Utility Tractor Capital Lease	Police Cruiser Capital Lease	Excavator Capital Lease	Total
2020	\$ 24,345	\$ 3,446	\$ 11,982	\$ 10,861	\$ 194,910
2021	24,345	3,446	11,982	10,862	194,910
2022	24,345	3,446	11,982	10,861	194,910
2023	24,345	2,012	5,991	10,862	187,485
2024	24,345	-	-	1,810	170,430
2025-2029	121,725	-	-	-	819,645
2030-2034	98,009	-	-	-	702,108
2035-2039	-	-	-	-	371,818
2040-2044	-	-	-	-	38,321
Total	<u>\$ 341,459</u>	<u>\$ 12,350</u>	<u>\$ 41,937</u>	<u>\$ 45,256</u>	<u>\$ 2,874,537</u>

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 10 – 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 11 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and any 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, 2018

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 6,656	\$ 51,240	\$ -	\$ 57,896
Municipal Income Tax	165,467	-	-	165,467
Intergovernmental	107,499	114,478	-	221,977
Charges for Services	-	77,737	28,500	106,237
Fines, Licenses and Permits	42,912	5,640	-	48,552
Earnings on Investments	3,532	98	-	3,630
Miscellaneous	2,324	4,928	-	7,252
<i>Total Cash Receipts</i>	<u>328,390</u>	<u>254,121</u>	<u>28,500</u>	<u>611,011</u>
Cash Disbursements				
Current:				
Security of Persons and Property	13,357	132,841	-	146,198
Public Health Services	1,090	22,787	-	23,877
Transportation	-	47,143	-	47,143
General Government	104,725	32,514	-	137,239
Other	-	3,300	-	3,300
Capital Outlay	92,636	101,036	23,358	217,030
Debt Service:				
Principal Retirement	-	8,041	15,000	23,041
Interest and Fiscal Charges	-	339	2,878	3,217
<i>Total Cash Disbursements</i>	<u>211,808</u>	<u>348,001</u>	<u>41,236</u>	<u>601,045</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	116,582	(93,880)	(12,736)	9,966
Other Financing Receipts (Disbursements)				
Proceeds from Capital Lease	-	5,743	-	5,743
Sale of Fixed Assets	-	18,500	-	18,500
Transfers-In	-	88,500	-	88,500
Transfers-Out	(88,500)	-	-	(88,500)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(88,500)</u>	<u>112,743</u>	<u>-</u>	<u>24,243</u>
<i>Net Change in Fund Cash Balances</i>	28,082	18,863	(12,736)	34,209
<i>Fund Cash Balances, January 1</i>	<u>156,934</u>	<u>305,436</u>	<u>13,036</u>	<u>475,406</u>
Fund Cash Balances, December 31				
Restricted	-	324,299	300	324,599
Assigned	2,400	-	-	2,400
Unassigned	182,616	-	-	182,616
<i>Fund Cash Balances, December 31</i>	<u>\$ 185,016</u>	<u>\$ 324,299</u>	<u>\$ 300</u>	<u>\$ 509,615</u>

See accompanying notes to the basic financial statements

Village of Sardinia, Ohio
Brown County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2018

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$ 842,075	\$ -	\$ 842,075
<i>Total Operating Cash Receipts</i>	<u>842,075</u>	<u>-</u>	<u>842,075</u>
Operating Cash Disbursements			
Personal Services	127,356	-	127,356
Employee Fringe Benefits	49,935	-	49,935
Contractual Services	322,766	-	322,766
Supplies and Materials	60,279	-	60,279
Other	6,008	-	6,008
<i>Total Operating Cash Disbursements</i>	<u>566,344</u>	<u>-</u>	<u>566,344</u>
<i>Operating Income (Loss)</i>	<u>275,731</u>	<u>-</u>	<u>275,731</u>
Non-Operating Receipts (Disbursements)			
Sale of Fixed Assets	45,850	-	45,850
Principal Retirement	(177,040)	-	(177,040)
Interest and Other Fiscal Charges	(42,993)	-	(42,993)
Capital Outlay	(35,539)	-	(35,539)
Miscellaneous Receipts	2,125	-	2,125
Proceeds from Capital Lease	11,488	-	11,488
Other Financing Sources	-	71,959	71,959
Other Financing Uses	-	(67,283)	(67,283)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(196,109)</u>	<u>4,676</u>	<u>(191,433)</u>
<i>Income (Loss) before Transfers</i>	79,622	4,676	84,298
Transfers-In	57,646	-	57,646
Transfers-Out	(57,646)	-	(57,646)
<i>Net Change in Fund Cash Balances</i>	79,622	4,676	84,298
<i>Fund Cash Balances, January 1</i>	<u>568,642</u>	<u>2,172</u>	<u>570,814</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 648,264</u>	<u>\$ 6,848</u>	<u>\$ 655,112</u>

See accompanying notes to the basic financial statements

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The Village of Sardinia (the Village), Brown County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides road maintenance, water and sewer utilities, refuse collection, police protection, fire protection and emergency services.

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Street Construction Maintenance and Repair The street construction maintenance and repair 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 The police operating fund accounts for and reports taxes received that are for the operation of the police department.

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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

Fire Capital Fund The fire capital fund accounts for and reports receipts from fire contracts with neighboring Townships for the purchase of fire equipment.

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

Water Operating Fund The water operating fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Operating Fund The sewer operating fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

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

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

Basis of Accounting

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

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

Budgetary Process

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

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

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 2018 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned*

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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

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

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

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 437,585	\$ 328,390	\$ (109,195)
Special Revenue	296,243	366,864	70,621
Capital Projects	31,000	28,500	(2,500)
Enterprise	850,641	959,184	108,543
Total	\$ 1,615,469	\$ 1,682,938	\$ 67,469

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 352,171	\$ 302,708	\$ 49,463
Special Revenue	440,564	379,729	60,835
Capital Projects	50,550	41,236	9,314
Enterprise	1,035,947	893,902	142,045
Total	\$ 1,879,232	\$ 1,617,575	\$ 261,657

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 4 – Deposits and Investments

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31, 2018 was as follows:

Demand deposits	\$1,157,870
Certificates of deposit	6,857
Total deposits	<u>\$1,164,727</u>

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.

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Income Taxes

The Village levies a municipal income tax of 1.0 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 6 – Risk Management

The Village has obtained commercial insurance for the following risks:

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Village 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

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 OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan #4439	\$ 1,779,748	1.50%
OWDA Loan #6720	163,673	2.00%
OWDA Loan #7005	64,846	0.75%
OPWC Loan #CO03I	234,554	0.00%
OPWC Loan #CT530	12,311	0.00%
Water System Refunding Bonds	284,287	3.33%
Pumper Truck Bonds 2014	50,000	4.50%
Police Cruiser Bonds 2014	7,733	2.25%
Utility Tractor Capital Lease	15,796	0.00%
Total	<u>\$ 2,612,948</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%.

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%.

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

Village of Sardinia, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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

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, with 0% interest, commencing August 25, 2018 with a final payment due July 25, 2023.

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

Year ending December 31:	OWDA Loan #4439	OWDA Loan #6720	OWDA Loan #7005	OPWC Loan #CO03I	OPWC Loan #CT530
2019	\$ 108,001	\$ 8,225	\$ 4,070	\$ 23,455	\$ 524
2020	108,001	8,225	4,070	23,456	524
2021	108,001	8,225	4,070	23,455	524
2022	108,001	8,225	4,070	23,456	524
2023	108,001	8,225	4,070	23,455	524
2024-2028	540,003	41,126	20,350	117,277	2,620
2029-2033	540,003	41,126	20,350	-	2,620
2034-2038	432,004	41,126	8,139	-	2,620
2039-2043	-	41,126	-	-	1,831
2044	-	4,113	-	-	-
Total	\$ 2,052,015	\$ 209,742	\$ 69,189	\$ 234,554	\$ 12,311

Year ending December 31:	Water System Refunding Bonds	Pumper Truck Bonds 2014	Police Cruiser Bonds 2014	Utility Tractor Capital Lease	Total
2019	\$ 24,345	\$ 12,250	\$ 7,907	\$ 3,446	\$ 192,223
2020	24,345	11,800	-	3,446	183,867
2021	24,345	11,350	-	3,446	183,416
2022	24,345	10,900	-	3,446	182,967
2023	24,345	10,450	-	2,012	181,082
2024-2028	121,725	-	-	-	843,101
2029-2033	121,725	-	-	-	725,824
2034-2038	629	-	-	-	484,518
2039-2043	-	-	-	-	42,957
2044	-	-	-	-	4,113
Total	\$ 365,804	\$ 56,750	\$ 7,907	\$ 15,796	\$ 3,024,068

Note 10 – 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.

This page intentionally left blank.

Bastin & Company, LLC
Certified Public Accountants

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

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Sardinia, Brown County, (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated April 7, 2020 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-01 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2019-02.

Village's Response to Findings

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

Purpose of this Report

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

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

Cincinnati, Ohio
April 7, 2020

Village of Sardinia, Ohio
Brown County
Schedule of Findings
December 31, 2019 and 2018

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

Finding Number 2019-01 – Audit Adjustments

Material Weakness - Financial Reporting

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

Adjustments were made that resulted in changes in fund cash balances and activities by fund type as follows:

- For 2018, the Village initially reported its Income Tax Fund within the Special Revenue Fund type. The Village's income tax levy is a general levy with no restrictions and should be reported within the General Fund. As a result, the January 1, 2018 fund cash balances of the General and Special Revenue Fund types were adjusted and income tax fund activities have been presented within the General Fund. Related transfers between funds have been eliminated. The Village properly presented income tax activities within the General Fund for 2019.
- For 2018 and 2019, the Village reported its Cemetery Care Fund within the Permanent Fund Type. The Village deposits 25% of cemetery lot sales to finance maintenance costs after all lots have been sold and intends to use the balance of the fund and any interest earnings for future care. Since the fund will expend the accumulated principal of the fund, this fund has been presented within the Special Revenue Fund type. The January 1, 2018 fund cash balance of the fund and the 2018 and 2019 activities have been reclassified and reported within the Special Revenue Fund type.
- During 2018, the Village incorrectly posted prior year audit adjustments to record the Village's police department auxiliary bank account within the Agency Fund type. In addition, the activity of the account for 2018 and 2019 continued to be recorded within an Agency Fund type. Adjustments have been made to properly report the balances and activities within the Special Revenue Fund type.

Additional audit adjustments and reclassifications were as follows:

- For 2019 adjustments to reflect additional intergovernmental receipts and debt principal and interest payments were made to report on-behalf payments made on the Pumper Truck Bonds, Series 2014 totaling \$56,750. The Eastern Joint Fire and EMS District made the debt payments on-behalf of the Village as required in the agreement to transfer fire and EMS services and related equipment from the Village.
- For 2019 and 2018, adjusting entries totaling \$93,046 and \$17,231 were made to various funds to properly present the proceeds and expenditures made under capital leases. The Village did not record these transactions.

- For 2019, an adjusting entry totaling \$147,721 was made to properly present the proceeds and expenditures made by the Ohio Water Development Authority (OWDA) on behalf of the Village under a loan agreement. The Village did not record this transaction.
- For 2019 and 2018, adjusting entries totaling \$44,445 and \$92,636 were made to properly classify expenditures in the General Fund as capital outlay. The Village recorded these transactions as general government expenditures.
- For 2019 and 2018, adjusting entries totaling \$6,186 and \$64,350 were made to various funds to properly present proceeds from the sale of capital assets. The Village had initially presented these items miscellaneous receipts.
- For 2019 and 2018, adjusting entries totaling \$1,561 and \$1,236 were made to various funds to properly present principal and interest payments on debt. The Village recorded various amounts for principal as interest or as supplies expense.
- For 2019 and 2018, a portion of the general fund's unassigned fund cash balance was reclassified to assigned fund balance in the amounts of \$215,825 and \$2,400, respectively. The reclassification was made to report year end encumbrances and the portion of year end fund cash balance that has been assigned to fund the subsequent year's appropriations in accordance with the requirements of GASB 54.

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.

FINDING NUMBER 2019-02 – Certification of Fund Availability

Noncompliance

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

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

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund,

properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate - Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate - The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During fiscal years 2019 and 2018, 15 percent of purchase orders tested were not properly certified prior to incurring the obligation or were not approved by ordinance or resolution when a then and now certificate for purchases of \$3,000 or more was made.

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

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

Village’s Response

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

This page intentionally left blank.

Village of Sardinia, Ohio
Brown County
Summary Schedule of Prior Audit Findings
December 31, 2019 and 2018

Finding Number	Finding Summary	Status	Additional Information
2017-01	Audit Adjustments	Not corrected	Current year conditions included as finding number 2019-01
2017-02	Certification of Fund Availability	Not corrected	Current year conditions included as finding number 2019-02

This page intentionally left blank.

OHIO AUDITOR OF STATE
KEITH FABER



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
MAY 21, 2020**