

**VILLAGE OF SARDINIA  
BROWN COUNTY  
Regular Audit  
For the Years Ended December 31, 2011 and 2010**

***Perry & Associates***  
Certified Public Accountants, A.C.





# Dave Yost • Auditor of State

Village Council  
Village of Sardinia  
151 Maple Avenue  
Sardinia, Ohio 45171

We have reviewed the *Independent Accountants' Report* of the Village of Sardinia, Brown County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2010 through December 31, 2011. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 "Dave Yost".

Dave Yost  
Auditor of State

October 17, 2012

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VILLAGE OF SARDINIA  
BROWN COUNTY

TABLE OF CONTENTS

| TITLE  | PAGE |
|--|------|
| Independent Accountants' Report .....  | 1    |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in<br>Fund Cash Balances - All Governmental Fund Types -<br>For the Year Ended December 31, 2011.....                   | 3    |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in<br>Fund Cash Balances - All Proprietary Fund and Fiduciary Fund Types -<br>For the Year Ended December 31, 2011..... | 4    |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in<br>Fund Cash Balances - All Governmental Fund Types -<br>For the Year Ended December 31, 2010.....                   | 5    |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in<br>Fund Cash Balances - All Proprietary Fund and Fiduciary Fund Types -<br>For the Year Ended December 31, 2010..... | 6    |
| Notes to the Financial Statements.....   | 7    |
| Independent Accountants' Report on Internal Control Over<br>Financial Reporting and on Compliance and Other Matters<br>Required by <i>Government Auditing Standards</i> .....                | 16   |
| Schedule of Audit Findings .....   | 18   |
| Schedule of Prior Audit Findings .....   | 19   |

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**INDEPENDENT ACCOUNTANTS' REPORT**

June 27, 2012

Village of Sardinia  
Brown County  
151 Maple Avenue  
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, 2011 and 2010. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010 or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of the Village of Sardinia, Brown County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1F, during 2011 the Village of Sardinia adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

**Perry and Associates**  
Certified Public Accountants, A.C.



**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, 2011**

|   | <u>Governmental Fund Types</u> |                            |                             |                  | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|---|--------------------------------|----------------------------|-----------------------------|------------------|---|
|   | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Capital<br/>Projects</u> | <u>Permanent</u> |   |
| <b>Cash Receipts:</b>                               |                                |                            |                             |                  |   |
| Property and Other Local Taxes                      | \$ 6,675                       | \$ 48,607                  | \$ -                        | \$ -             | \$ 55,282                               |
| Municipal Income Tax                                | -                              | 129,203                    | -                           | -                | 129,203                                 |
| Intergovernmental                                   | 16,678                         | 39,426                     | -                           | -                | 56,104                                  |
| Charges for Services                                | -                              | 72,210                     | 16,000                      | -                | 88,210                                  |
| Fines, Licenses and Permits                         | 13,819                         | 1,389                      | -                           | -                | 15,208                                  |
| Earnings on Investments                             | 340                            | -                          | -                           | -                | 340                                     |
| Miscellaneous                                       | 8,787                          | 14,991                     | -                           | -                | 23,778                                  |
| <b>Total Cash Receipts</b>                          | <u>46,299</u>                  | <u>305,826</u>             | <u>16,000</u>               | <u>-</u>         | <u>368,125</u>                          |
| <b>Cash Disbursements:</b>                          |                                |                            |                             |                  |   |
| Current:  |                                |                            |                             |                  |   |
| Security of Persons and Property                    | 10,287                         | 106,570                    | -                           | -                | 116,857                                 |
| Public Health Services                              | 1,063                          | 25,206                     | -                           | -                | 26,269                                  |
| Transportation                                      | -                              | 37,869                     | -                           | -                | 37,869                                  |
| General Government                                  | 72,038                         | 17,138                     | -                           | -                | 89,176                                  |
| Capital Outlay                                      | -                              | 99,975                     | -                           | -                | 99,975                                  |
| Debt Service:                                       |                                |                            |                             |                  |   |
| Principal Retirement                                | 16,000                         | -                          | 15,000                      | -                | 31,000                                  |
| Interest and Fiscal Charges                         | 598                            | -                          | 598                         | -                | 1,196                                   |
| <b>Total Cash Disbursements</b>                     | <u>99,986</u>                  | <u>286,758</u>             | <u>15,598</u>               | <u>-</u>         | <u>402,342</u>                          |
| Total Cash Receipts Over/(Under) Disbursements      | <u>(53,687)</u>                | <u>19,068</u>              | <u>402</u>                  | <u>-</u>         | <u>(34,217)</u>                         |
| <b>Other Financing Receipts/(Disbursements):</b>    |                                |                            |                             |                  |   |
| Debt Proceeds                                       | -                              | 79,608                     | -                           | -                | 79,608                                  |
| Transfers In  | 110,000                        | 51,000                     | -                           | -                | 161,000                                 |
| Transfers Out                                       | (51,000)                       | (110,000)                  | -                           | -                | (161,000)                               |
| <b>Total Other Financing Receipts/Disbursements</b> | <u>59,000</u>                  | <u>20,608</u>              | <u>-</u>                    | <u>-</u>         | <u>79,608</u>                           |
| Net Change in Fund Cash Balances                    | 5,313                          | 39,676                     | 402                         | -                | 45,391                                  |
| Fund Cash Balances, January 1                       | <u>37,251</u>                  | <u>137,223</u>             | <u>8,975</u>                | <u>6,375</u>     | <u>189,824</u>                          |
| <b>Fund Cash Balances, December 31</b>              |                                |                            |                             |                  |   |
| Nonspendable  | -                              | -                          | -                           | 6,375            | 6,375                                   |
| Restricted  | -                              | 169,207                    | 9,377                       | -                | 178,584                                 |
| Committed   | -                              | 7,692                      | -                           | -                | 7,692                                   |
| Unassigned  | 42,564                         | -                          | -                           | -                | 42,564                                  |
| <b>Fund Cash Balances, December 31</b>              | <u>\$ 42,564</u>               | <u>\$ 176,899</u>          | <u>\$ 9,377</u>             | <u>\$ 6,375</u>  | <u>\$ 235,215</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 FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

|   | <u>Proprietary<br/>Fund Type</u> | <u>Fiduciary<br/>Fund Type</u> | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|---|----------------------------------|--------------------------------|---|
|   | <u>Enterprise</u>                | <u>Agency</u>                  |   |
| <b>Operating Cash Receipts:</b>                         |                                  |                                |   |
| Charges for Services                                    | \$ 654,232                       | \$ -                           | \$ 654,232                              |
| Total Operating Receipts                                | <u>654,232</u>                   | <u>-</u>                       | <u>654,232</u>                          |
| <b>Operating Cash Disbursements:</b>                    |                                  |                                |   |
| Personal Services                                       | 47,483                           | -                              | 47,483                                  |
| Employee Fringe Benefits                                | 13,485                           | -                              | 13,485                                  |
| Contractual Services                                    | 257,069                          | -                              | 257,069                                 |
| Supplies and Materials                                  | 75,922                           | -                              | 75,922                                  |
| Other   | 9,478                            | -                              | 9,478                                   |
| Total Operating Cash Disbursements                      | <u>403,437</u>                   | <u>-</u>                       | <u>403,437</u>                          |
| Operating Income (Loss)                                 | <u>250,795</u>                   | <u>-</u>                       | <u>250,795</u>                          |
| <b>Non-Operating Cash Receipts/(Disbursements):</b>     |                                  |                                |   |
| Special Assessments                                     | 38                               | -                              | 38                                      |
| Miscellaneous   | 11,205                           | -                              | 11,205                                  |
| Capital Outlay  | (7,490)                          | -                              | (7,490)                                 |
| Principal Retirement                                    | (122,953)                        | -                              | (122,953)                               |
| Interest and Fiscal Charges                             | (53,922)                         | -                              | (53,922)                                |
| Other Non-Operating Receipts                            | -                                | 20,260                         | 20,260                                  |
| Other Non-Operating Disbursements                       | -                                | (21,851)                       | (21,851)                                |
| Total Non-Operating Cash Receipts/(Disbursements)       | <u>(173,122)</u>                 | <u>(1,591)</u>                 | <u>(174,713)</u>                        |
| Excess of Cash Receipts Over/(Under) Cash Disbursements | 77,673                           | (1,591)                        | 76,082                                  |
| Fund Cash Balances, January 1                           | <u>234,756</u>                   | <u>1,888</u>                   | <u>236,644</u>                          |
| <b>Fund Cash Balances, December 31</b>                  | <b><u>\$ 312,429</u></b>         | <b><u>\$ 297</u></b>           | <b><u>\$ 312,726</u></b>                |

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, 2010**

|   | <u>Governmental Fund Types</u> |                            |                             |                        | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|---|--------------------------------|----------------------------|-----------------------------|------------------------|---|
|   | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Capital<br/>Projects</u> | <u>Permanent</u>       |   |
| <b>Cash Receipts:</b>                               |                                |                            |                             |                        |   |
| Property and Other Local Taxes                      | \$ 4,654                       | \$ 51,987                  | \$ -                        | \$ -                   | \$ 56,641                               |
| Municipal Income Tax                                | -                              | 129,727                    | -                           | -                      | 129,727                                 |
| Intergovernmental                                   | 17,978                         | 40,756                     | -                           | -                      | 58,734                                  |
| Charges for Services                                | -                              | 82,908                     | 16,000                      | -                      | 98,908                                  |
| Fines, Licenses and Permits                         | 6,224                          | 545                        | -                           | -                      | 6,769                                   |
| Earnings on Investments                             | 1,108                          | 60                         | -                           | -                      | 1,168                                   |
| Miscellaneous                                       | 292                            | 21,882                     | -                           | -                      | 22,174                                  |
|   | <u>30,256</u>                  | <u>327,865</u>             | <u>16,000</u>               | <u>-</u>               | <u>374,121</u>                          |
| <b>Total Cash Receipts</b>                          |                                |                            |                             |                        |   |
| <b>Cash Disbursements:</b>                          |                                |                            |                             |                        |   |
| Current:  |                                |                            |                             |                        |   |
| Security of Persons and Property                    | 11,000                         | 122,668                    | -                           | -                      | 133,668                                 |
| Public Health Services                              | 900                            | 25,810                     | -                           | -                      | 26,710                                  |
| Transportation                                      | -                              | 33,772                     | -                           | -                      | 33,772                                  |
| General Government                                  | 69,579                         | 25,191                     | -                           | -                      | 94,770                                  |
| Capital Outlay                                      | 16,000                         | 20,965                     | 15,000                      | -                      | 51,965                                  |
| Debt Service:                                       |                                |                            |                             |                        |   |
| Principal Retirement                                | 31,000                         | -                          | 25,000                      | -                      | 56,000                                  |
| Interest and Fiscal Charges                         | 1,237                          | -                          | 998                         | -                      | 2,235                                   |
|   | <u>129,716</u>                 | <u>228,406</u>             | <u>40,998</u>               | <u>-</u>               | <u>399,120</u>                          |
| <b>Total Cash Disbursements</b>                     |                                |                            |                             |                        |   |
| Excess of Receipts Over/(Under) Disbursements       | <u>(99,460)</u>                | <u>99,459</u>              | <u>(24,998)</u>             | <u>-</u>               | <u>(24,999)</u>                         |
| <b>Other Financing Receipts/(Disbursements):</b>    |                                |                            |                             |                        |   |
| Debt Proceeds                                       | 16,000                         | -                          | 15,000                      | -                      | 31,000                                  |
| Transfers In  | 126,000                        | 25,000                     | -                           | -                      | 151,000                                 |
| Transfers Out                                       | <u>(15,000)</u>                | <u>(126,000)</u>           | <u>(10,000)</u>             | <u>-</u>               | <u>(151,000)</u>                        |
|   | <u>127,000</u>                 | <u>(101,000)</u>           | <u>5,000</u>                | <u>-</u>               | <u>31,000</u>                           |
| <b>Total Other Financing Receipts/Disbursements</b> |                                |                            |                             |                        |   |
| Net Change in Fund Cash Balances                    | 27,540                         | (1,541)                    | (19,998)                    | -                      | 6,001                                   |
| Fund Cash Balances, January 1                       | <u>9,711</u>                   | <u>138,764</u>             | <u>28,973</u>               | <u>6,375</u>           | <u>183,823</u>                          |
| <b>Fund Cash Balances, December 31</b>              | <u><b>\$ 37,251</b></u>        | <u><b>\$ 137,223</b></u>   | <u><b>\$ 8,975</b></u>      | <u><b>\$ 6,375</b></u> | <u><b>\$ 189,824</b></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 FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

|   | <u>Proprietary<br/>Fund Type</u> | <u>Fiduciary<br/>Fund Type</u> | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|---|----------------------------------|--------------------------------|---|
|   | <u>Enterprise</u>                | <u>Agency</u>                  |   |
| <b>Operating Cash Receipts:</b>                         |                                  |                                |   |
| Charges for Services                                    | \$ 630,480                       | \$ -                           | \$ 630,480                              |
| Total Operating Receipts                                | <u>630,480</u>                   | <u>-</u>                       | <u>630,480</u>                          |
| <b>Operating Cash Disbursements:</b>                    |                                  |                                |   |
| Personal Services                                       | 45,838                           | -                              | 45,838                                  |
| Employee Fringe Benefits                                | 12,556                           | -                              | 12,556                                  |
| Contractual Services                                    | 267,738                          | -                              | 267,738                                 |
| Supplies and Materials                                  | 57,946                           | -                              | 57,946                                  |
| Other   | 6,002                            | -                              | 6,002                                   |
| Total Operating Cash Disbursements                      | <u>390,080</u>                   | <u>-</u>                       | <u>390,080</u>                          |
| Operating Income (Loss)                                 | <u>240,400</u>                   | <u>-</u>                       | <u>240,400</u>                          |
| <b>Non-Operating Cash Receipts/(Disbursements):</b>     |                                  |                                |   |
| Miscellaneous   | 25,084                           | -                              | 25,084                                  |
| Debt Proceeds   | 3,387                            | -                              | 3,387                                   |
| Capital Outlay  | (48,362)                         | -                              | (48,362)                                |
| Principal Retirement                                    | (133,686)                        | -                              | (133,686)                               |
| Interest and Fiscal Charges                             | (57,924)                         | -                              | (57,924)                                |
| Other Non-Operating Receipts                            | -                                | 12,000                         | 12,000                                  |
| Other Non-Operating Disbursements                       | -                                | (10,166)                       | (10,166)                                |
| Total Non-Operating Cash Receipts/(Disbursements)       | <u>(211,501)</u>                 | <u>1,834</u>                   | <u>(209,667)</u>                        |
| Excess of Cash Receipts Over/(Under) Cash Disbursements | 28,899                           | 1,834                          | 30,733                                  |
| Fund Cash Balances, January 1                           | <u>205,857</u>                   | <u>54</u>                      | <u>205,911</u>                          |
| <b>Fund Cash Balances, December 31</b>                  | <b><u>\$ 234,756</u></b>         | <b><u>\$ 1,888</u></b>         | <b><u>\$ 236,644</u></b>                |

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

**VILLAGE OF SARDINIA  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Sardinia, Brown County (the Village), as a body corporate and politic. A publicly elected six-member Council directs the Village. The Village provides road maintenance, water and sewer utilities, refuse collection, police protection and fire protection.

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

**B. Accounting Basis**

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. 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 Auditor of State prescribes or permits.

**Change in Accounting Basis**

Last audit period the Village implemented the cash basis of accounting. The fund financial statements presented each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type. This audit period the Village has elected to report fund financial statements by fund type using the regular basis of accounting as prescribed by the Auditor of States office.

**C. 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.

The Village invests all available funds in a checking account and certificates of deposit.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF SARDINIA  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

These funds account for proceeds from specific sources (other than from private-purpose 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 monies for constructing, maintaining and repairing Village streets.

Income Tax Fund - This fund comprised of taxes from the enactment of a local income tax.

Police Protection Fund - This fund comprised of taxes designated for the operation of the police department.

Fire Department Fund - This fund comprised of taxes designated for the operation of the fire department.

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Fire Capital Fund - This fund is used to account for receipts from fire contracts with neighboring Townships for the purchase of fire equipment.

**4. Permanent Funds**

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village's programs. The Village had the following significant Permanent Fund:

Cemetery Bequest Fund - This nonexpendable trust fund maintains the trust corpus.

**VILLAGE OF SARDINIA  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**5. Enterprise Funds**

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

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

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

**6. Fiduciary Funds (Agency Funds)**

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations, or other governments. The Village disburses these funds as directed by the individual, organization, or other government. The Village's agency fund accounts for Mayor's Court fines and forfeitures.

**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 object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year-end.

**2. Estimated Resources**

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

**VILLAGE OF SARDINIA  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

**F. Fund Balance**

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

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

**2. Restricted**

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

**3. Committed**

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

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.



**VILLAGE OF SARDINIA  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Fund Balance (Continued)**

**5. Unassigned**

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

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

**G. Property, Plant and Equipment**

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

**2. EQUITY IN POOLED DEPOSITS**

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

|                         | 2011       | 2010       |
|-------------------------|------------|------------|
| Demand deposits         | \$ 541,773 | \$ 420,318 |
| Certificates of deposit | 6,168      | 6,150      |
| Total deposits          | \$ 547,941 | \$ 426,468 |

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2011 and 2010 follows:

| 2011 Budgeted vs. Actual Receipts |                      |                    |              |
|-----------------------------------|----------------------|--------------------|--------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance     |
| General                           | \$ 177,900           | \$ 156,299         | \$ (21,601)  |
| Special Revenue                   | 354,555              | 436,434            | 81,879       |
| Capital Projects                  | 16,000               | 16,000             | -            |
| Enterprise                        | 867,652              | 665,475            | (202,177)    |
| Total                             | \$ 1,416,107         | \$ 1,274,208       | \$ (141,899) |

**VILLAGE OF SARDINIA  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

| 2011 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |                   |
|---|----------------------------|---------------------------|-------------------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance          |
| General   | \$ 171,621                 | \$ 150,986                | \$ 20,635         |
| Special Revenue                                       | 406,560                    | 396,758                   | 9,802             |
| Capital Projects                                      | 15,600                     | 15,598                    | 2                 |
| Enterprise  | 937,139                    | 587,802                   | 349,337           |
| Total   | <u>\$ 1,530,920</u>        | <u>\$ 1,151,144</u>       | <u>\$ 379,776</u> |

| 2010 Budgeted vs. Actual Receipts |                      |                     |                     |
|-----------------------------------|----------------------|---------------------|---------------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts  | Variance            |
| General                           | \$ 190,292           | \$ 172,256          | \$ (18,036)         |
| Special Revenue                   | 349,916              | 352,865             | 2,949               |
| Capital Projects                  | 25,000               | 31,000              | 6,000               |
| Enterprise                        | 829,750              | 658,951             | (170,799)           |
| Total                             | <u>\$ 1,394,958</u>  | <u>\$ 1,215,072</u> | <u>\$ (179,886)</u> |

| 2010 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |                   |
|---|----------------------------|---------------------------|-------------------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance          |
| General   | \$ 175,971                 | \$ 144,716                | \$ 31,255         |
| Special Revenue                                       | 398,542                    | 354,406                   | 44,136            |
| Capital Projects                                      | 51,800                     | 50,998                    | 802               |
| Enterprise  | 930,554                    | 630,052                   | 300,502           |
| Total   | <u>\$ 1,556,867</u>        | <u>\$ 1,180,172</u>       | <u>\$ 376,695</u> |

**4. DEBT**

Debt outstanding at December 31, 2011 was as follows:

|                              | <u>Principal</u>    | <u>Interest Rate</u> |
|------------------------------|---------------------|----------------------|
| OWDA Loan #4439              | \$ 2,314,444        | 1.50%                |
| OPWC Loan CO03I              | 398,744             | 0.00%                |
| Water System Refunding Bonds | 347,867             | 4.79%                |
| Police Cruiser Bond          | 10,000              | 3.75%                |
| Dump Truck Lease-Purchase    | 69,608              | 5.00%                |
| Total                        | <u>\$ 3,140,663</u> |                      |

The OWDA approved a loan in 1977 of \$405,346 to the Village for a project relating to water and sewer line improvement and plant expansion. The project was mandated by the Ohio Environmental Protection Agency. The loan was collateralized by water and sewer revenue. The Village agreed to set utility rates sufficient to cover the OWDA debt service requirements. The loan was paid off in 2011.

OWDA Loan #4439 relates to a wastewater treatment plant improvement project. During 2010, the Village received \$3,387 from the OWDA that was then disbursed by the Village for the project. The loan is scheduled to be paid off in 2038.

**VILLAGE OF SARDINIA  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(Continued)**

**4. DEBT (Continued)**

The OPWC Construction Loan #CO03I relates to the wastewater treatment plant improvement project. During 2009, OPWC made payments on behalf of the Village, directly to contractors, from the OPWC Loan Fund in the amount of \$398,643. The project is completed and the full loan approved by the OPWC is \$469,110. The loan will be repaid in semi-annual payments of \$11,728 over 20 years. This is a zero interest loan that will be repaid from the Sewer Fund.

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 the purpose of making improvements to the Village water system. The bonds are payable over 30 years and are collateralized by water and sewer revenues. In 2006, the Village issued \$412,300 in Water System Refunding Bonds to defease the remaining debt on the 1994 issue. The refunding bonds are payable over 24 years and are collateralized by water and sewer revenues. The bonds are being repaid from the Water Fund.

In 2005, the Village issued three bond anticipation notes totaling \$153,000. The proceeds of the notes were used to repay notes issued in the previous year. These were one year notes which the Village renewed in 2008 for \$96,000 for one year. These notes were originally issued to purchase a fire truck and equipment, and make improvements to the Village administration building. In 2009, the Village renewed two of these notes for \$56,000 for one year. In 2010, the notes were renewed for \$31,000 for one year. These notes were paid off from the General and Fire Capital Funds in 2011.

In 2011, the Village issued a bond for the purchase of new police cruiser which will be utilized by the Village’s police department. The total amount of the bond is \$10,000 and will be repaid over the next three years. The Bond will mature in 2014 and will be repaid from the Police Operating Fund.

In 2011, the Village entered into a lease-purchase agreement for a dump truck will be utilized by the Village’s street department. The total amount of the lease-purchase agreement is \$69,608 and will be repaid over the next five years.

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

| Year ending<br>December 31: | OWDA<br>Loan<br>#4439 | OPWC<br>Loan<br>CO03I | Water System<br>Refunding<br>Bond | Police<br>Cruiser<br>Bond | Dump<br>Truck<br>Lease-<br>Purchase | Total               |
|-----------------------------|-----------------------|-----------------------|-----------------------------------|---------------------------|-------------------------------------|---------------------|
| 2012                        | \$ 87,006             | \$ 22,152             | \$ 52,076                         | \$ 3,458                  | \$ 14,618                           | \$ 179,310          |
| 2013                        | 87,006                | 22,152                | 52,076                            | 3,458                     | 14,618                              | 179,310             |
| 2014                        | 87,006                | 22,152                | 52,076                            | 3,459                     | 14,618                              | 179,311             |
| 2015                        | 87,006                | 22,152                | 52,076                            | -                         | 14,618                              | 175,852             |
| 2016                        | 87,006                | 22,152                | 52,076                            | -                         | 14,616                              | 175,850             |
| 2017-2021                   | 435,030               | 110,760               | 104,152                           | -                         | -                                   | 649,942             |
| 2022-2026                   | 435,030               | 110,760               | -                                 | -                         | -                                   | 545,790             |
| 2027-2021                   | 435,030               | 66,464                | -                                 | -                         | -                                   | 501,494             |
| 2032-2036                   | 435,030               | -                     | -                                 | -                         | -                                   | 435,030             |
| 2037-2041                   | 174,011               | -                     | -                                 | -                         | -                                   | 174,011             |
| Total                       | <u>\$ 2,349,161</u>   | <u>\$ 398,744</u>     | <u>\$ 364,532</u>                 | <u>\$ 10,375</u>          | <u>\$ 73,088</u>                    | <u>\$ 3,195,900</u> |

**VILLAGE OF SARDINIA  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(Continued)**

**5. PROPERTY TAX**

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

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

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.

**6. RETIREMENT SYSTEMS**

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

The Ohio Revised Code prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equal to 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

**7. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

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

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

**8. INCOME TAX**

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(Continued)**

**9. TRANSFERS**

Interfund transfers between funds during 2011 were as follows:

| Transfer to Funds | Tranfers from Funds |            |
|-------------------|---------------------|------------|
|                   | Income Tax          | Total      |
| General           | \$ 110,000          | \$ 110,000 |
|                   | \$ 110,000          | \$ 110,000 |

Interfund transfers between funds during 2010 were as follows:

| Transfer to Funds | Tranfers from Funds |              |            |
|-------------------|---------------------|--------------|------------|
|                   | Income Tax          | Fire Capital | Total      |
| General           | \$ 126,000          | \$ -         | \$ 126,000 |
| Fire              | -                   | 10,000       | 10,000     |
|                   | \$ 126,000          | \$ 10,000    | \$ 136,000 |

The above mentioned transfers from/to were used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to spend them and to move money into the Fire Fund to support fire operations of the Village.

***Perry & Associates***  
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**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

June 27, 2012

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

To the Village Council:

We have audited the financial statements of the **Village of Sardinia**, Brown County Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 27, 2012, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America and has adopted Governmental Accounting Standards Board Statement No. 54. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of audit findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-001 described in the accompanying schedule of audit findings 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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 27, 2012.

We intend this report solely for the information and use of management, Village Council and others within the Village. We intend it for no one other than these specified parties.

Respectfully Submitted,

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." in a cursive script.

**Perry and Associates**  
Certified Public Accountants, A.C.

**VILLAGE OF SARDINIA  
BROWN COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|--|

**FINDING NUMBER 2011-001**

**Material Weakness**

**Posting Receipts and Disbursements**

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code Section 117-7-01.

Receipts and disbursements were not always posted correctly. The following posting errors were noted:

- A principal payment was misclassified as a capital outlay disbursement in 2010.
- Debt proceeds and the corresponding capital outlay disbursements were not recorded in either 2011 or 2010.
- Intergovernmental receipts were misclassified as Property and Local Taxes in both 2011 and 2010.
- Mayor's Court activity was not properly recorded in the Agency Fund.

This resulted in adjustments and reclassification entries being made to the Village's financial statements. The Village made all adjustments to its accounting system and the accompanying financial statements reflect all adjustments and reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of receipts and disbursements are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Village Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements.

**Management's Response** – We did not receive a response from officials to this finding.



**VILLAGE OF SARDINIA  
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

| Finding Number | Finding Summary                 | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---------------------------------|------------------|---|
| 2009-001       | Financial Statement Adjustments | No               | Repeated as 2011-001  |
| 2009-002       | 5705.41(B)                      | Yes              | N/A   |

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# Dave Yost • Auditor of State

**VILLAGE OF SARDINIA**

**BROWN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 8, 2012**