

VILLAGE OF CARDINGTON
MORROW COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2011



Dave Yost • Auditor of State

Village Council
Village of Cardington
215 Park Street
Cardington, Ohio 43315

We have reviewed the *Independent Auditors' Report* of the Village of Cardington, Morrow County, prepared by Holbrook & Manter, for the audit period January 1, 2011 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 Auditors' 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 Auditors' 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 Cardington is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 12, 2012

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INDEPENDENT AUDITORS' REPORT

Village Council
Village of Cardington
Morrow County

We have audited the accompanying financial statements of the Village of Cardington, Morrow County, Ohio, (the Village) as of and for the year ended December 31, 2011. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State of Ohio 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 for 2011, GAAP requires 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 the new GAAP presentation requirements. The Auditor of State of Ohio permits, but does not require, governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State of Ohio 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 year ended December 31, 2011 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, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Village of Cardington, Morrow County, as of December 31, 2011, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

As described in Note 2, during 2011, the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The Government has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 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.



Certified Public Accountants

June 22, 2012

**VILLAGE OF CARDINGTON
MORROW 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>			<u>(Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total</u>
CASH RECEIPTS:				
Local taxes	\$ 292,961	\$ 86,983	\$ 0	\$ 379,944
Municipal income taxes	0	483,456	0	483,456
Intergovernmental	32,923	80,410	101,100	214,433
Charges for services	97	98,517	0	98,614
Special assessments	429	0	0	429
Fines, licenses, and permits	56,005	0	0	56,005
Earnings on investments	352	217	12	581
Miscellaneous	24,500	28,159	0	52,659
Total cash receipts	<u>407,267</u>	<u>777,742</u>	<u>101,112</u>	<u>1,286,121</u>
CASH DISBURSEMENTS:				
Current:				
Security of persons and property	311,672	134,710	0	446,382
Public health services	1,417	0	0	1,417
Leisure time activities	0	13,028	0	13,028
Community environment	6,427	0	0	6,427
Basic utility services	10,472	0	0	10,472
Transportation	0	197,652	0	197,652
General government	249,072	124,685	0	373,757
Capital outlay	0	16,932	151,633	168,565
Debt service				
Redemption of principal	0	51,199	0	51,199
Interest and other fiscal charges	0	19,326	0	19,326
Total cash disbursements	<u>579,060</u>	<u>557,532</u>	<u>151,633</u>	<u>1,288,225</u>
Total receipts over (under) cash disbursements	(171,793)	220,210	(50,521)	(2,104)
Other financing receipts (disbursements):				
Sale of fixed assets	2,500	0	0	2,500
Transfers - in	250,000	203,183	25,000	478,183
Transfers - out	(3,183)	(475,000)	0	(478,183)
Total other financing receipts (disbursements)	<u>249,317</u>	<u>(271,817)</u>	<u>25,000</u>	<u>2,500</u>
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	77,524	(51,607)	(25,521)	396
Fund cash balances January 1, 2011	<u>76,952</u>	<u>627,395</u>	<u>40,701</u>	<u>745,048</u>
Fund cash balances, December 31, 2011				
Nonspendable	0	0	0	0
Restricted	0	563,212	14,969	578,181
Committed	0	0	0	0
Assigned	8,890	12,576	211	21,677
Unassigned (deficit)	145,586	0	0	145,586
Fund cash balances, December 31, 2011	<u>\$ 154,476</u>	<u>\$ 575,788</u>	<u>\$ 15,180</u>	<u>\$ 745,444</u>

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

VILLAGE OF CARDINGTON
MORROW COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES-
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Proprietary Fund</u>	<u>Agency Fund</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Fiduciary</u>	
OPERATING CASH RECEIPTS:			
Charges for services	\$ 1,154,643	\$ 0	\$ 1,154,643
Total operating cash receipts	<u>1,154,643</u>	<u>0</u>	<u>1,154,643</u>
OPERATING CASH DISBURSEMENTS:			
Personal services	203,570	0	203,570
Employee fringe benefits	61,097	0	61,097
Contractual services	254,966	0	254,966
Supplies and materials	<u>233,575</u>	<u>0</u>	<u>233,575</u>
Total operating cash disbursements	<u>753,208</u>	<u>0</u>	<u>753,208</u>
Operating income	<u>401,435</u>	<u>0</u>	<u>401,435</u>
NON-OPERATING CASH RECEIPTS:			
Property and other local taxes	170,604	0	170,604
Interest	307	0	307
Fines collected	0	171,897	171,897
Miscellaneous	<u>33,778</u>	<u>0</u>	<u>33,778</u>
Total non-operating cash receipts	<u>204,689</u>	<u>171,897</u>	<u>376,586</u>
NON-OPERATING CASH DISBURSEMENTS:			
Capital outlay	48,170	0	48,170
Redemption of principal	338,596	0	338,596
Interest and other fiscal charges	150,941	0	150,941
Fines distributed	<u>0</u>	<u>171,897</u>	<u>171,897</u>
Total non-operating cash disbursements	<u>537,707</u>	<u>171,897</u>	<u>709,604</u>
Excess of receipts over disbursements before interfund transfers and advances	68,417	0	68,417
Fund cash balances, January 1, 2011	<u>762,992</u>	<u>6,169</u>	<u>769,161</u>
Fund cash balances, December 31, 2011	<u>\$ 831,409</u>	<u>\$ 6,169</u>	<u>\$ 837,578</u>
Reserve for encumbrances, December 31, 2011	<u>\$ 14,195</u>	<u>\$ 0</u>	<u>\$ 14,195</u>

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

VILLAGE OF CARDINGTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

- A. **Description of the Entity** - The Village of Cardington, Morrow County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations, and police and fire protection services.

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

- B. **Basis of Accounting** - These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

- C. **Cash and Investments** - The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively. The Village values certificates of deposit and repurchase agreements at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

- 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:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

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

Street Construction, Maintenance and Repair Fund

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

Fire Protection Fund

This fund receives property tax proceeds and charges for services from Cardington and Lincoln Townships. The funds are used to provide fire protection services to residents of the Village and other contracted local governments.

Income Tax Fund

This fund receives municipal income taxes from corporations, individuals, and employee withholdings. The funds are to be used for administration of the tax, street lighting, road and street repair, resurfacings, curb construction, and storm sewer maintenance and repair, or for an emergency purpose.

VILLAGE OF CARDINGTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Capital Project Funds

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

3rd Street Storm Sewer Fund

The proceeds from this fund are being used to renovate the 3rd street storm sewer.

Enterprise Funds

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

Water Fund

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

Sewer Fund

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

Water Distribution Upgrade Fund

This fund receives grant proceeds from the Ohio Public Works Commission for future water line upgrades.

Fiduciary Funds

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Mayor's Court Fund

The fund receives payments for fines and for court costs. These funds are distributed to the Village and to the State of Ohio.

- E. 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 Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

VILLAGE OF CARDINGTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

A summary of 2011 budgetary activity appears in Note 4.

- F. 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 area 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

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

Assigned

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

Unassigned

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

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

**VILLAGE OF CARDINGTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

- G. Property, Plant and Equipment** - Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.
- H. Accumulated Leave** - In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLE:-

The Village implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a governmental is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on the fund balance of the Village's funds.

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS:-

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

	2011
Demand deposits	\$ 1,129,275
Star Ohio Investments	453,747
Total investments and deposits	\$ 1,583,022

Deposits - The Village's deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village.

Investments - The Village maintains a repurchase agreement with their financial institution. The agreement allows the financial institution to invest excess funds in a sweep account. The Village's financial institution provides securities to collateralize the sweep agreements. In addition, the investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF CARDINGTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 4 - BUDGETARY ACTIVITY:-

Budgetary activity for the year ending December 31, 2011 was as follows:

2011 Budgeted VS. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 590,780	\$ 659,767	\$ 68,987
Special Revenue	927,043	980,925	53,882
Capital Project	25,000	126,112	101,112
Enterprise	1,208,100	1,359,332	151,232
Agency	<u>0</u>	<u>171,897</u>	<u>171,897</u>
Total	<u>\$ 2,750,923</u>	<u>\$ 3,298,033</u>	<u>\$ 547,110</u>

2011 Budgeted VS. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 643,611	\$ 591,133	\$ 52,478
Special Revenue	1,109,316	1,045,108	64,208
Capital Projects	65,700	151,844	(86,144)
Enterprise	1,414,823	1,305,110	109,713
Agency	<u>0</u>	<u>171,897</u>	<u>(171,897)</u>
Total	<u>\$ 3,233,450</u>	<u>\$ 3,265,092</u>	<u>\$ (31,642)</u>

Contrary to Ohio law, during 2011, the budgetary expenditures exceeded the appropriation authority in the Capital Projects Fund by \$86,144.

**VILLAGE OF CARDINGTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 5 - PROPERTY TAX:-

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

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.

NOTE 6 - LOCAL INCOME TAX:-

The Village levies a municipal income tax of one (1.00) 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.

The Village has contracted with the Regional Income Tax Authority (RITA) to begin collecting municipal income taxes on behalf of the Village, starting on January 1st, 2006. RITA collects all Village income taxes and forwards these collections to the Village monthly. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

NOTE 7 - DEBT:-

Debt outstanding at December 31, 2011 was as follows:

	<u>Rate</u>	<u>Principal Balance 2011</u>
1978 Ohio Water Development Authority Loan	5.25%	\$ 19,666
1996 Ohio Water Development Authority Loan	4.16%	743,299
1996 Ohio Water Development Authority Loan	6.49%	1,284,637
2009 Ohio Water Development Authority Loan	0.00%	340,513
1977 Berkadia Loan	5.00%	34,000
1991 Berkadia Loan	5.00%	366,000
2007 Chase Bank Loan	4.45%	131,493
2009 Farmers Citizens Loan	4.25%	305,864
2009 Key Government Loan	5.00%	<u>74,033</u>
		<u>\$ 3,299,505</u>

VILLAGE OF CARDINGTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 7 - DEBT:- (continued)

The Ohio Water Development Authority (OWDA) loans relate to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA approved up to \$4,341,770 in loans to the Village for this project. The loans are being repaid in semiannual installments including interest, over 20, 25, and 40 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. As of December 31, 2011, the outstanding principal balance on these loans amounted to \$2,047,602.

The Berkadia loans relate to water and sewer plant improvement projects. The loans will be repaid in semiannual installments including interest, over 30-35 years. The loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover Berkadia debt service requirements. As of December 31, 2011, the outstanding balance on these loans was \$400,000.

During 2007, the Village entered into a lease agreement with Chase Equipment Leasing Inc. The lease is for the purchase of a Sutphen 2006 Custom Shield Pumper fire truck. This is a ten year lease with Chase bank with an interest rate of 4.45% and had an outstanding balance of \$131,493 at December 31, 2011.

During 2008, the Village entered into a loan agreement with Farmer's Citizens bank. The loan was for the purchase of land for future expansion of the sewer plant. This was a 3 year loan with an interest rate of 3.15% and was paid in full during 2011.

During 2009, the Village entered another loan agreement with the Ohio Water Development Authority (OWDA) for a water main replacement project. OWDA approved \$358,435 for the Village for this project. The loan is being repaid in semiannual installments over 20 years. As of December 31, 2011, the outstanding principal balance on this loan amounts to \$340,513.

During 2009, the Village entered into a loan agreement with Farmer's Citizens bank. The loan was for construction of a street building. This is a 15 year loan with an interest rate of 4.25% and had an outstanding balance of \$305,864 at December 31, 2011.

During 2009, the Village entered into a loan agreement with Key Government Financing. The loan was for the purchase of equipment. This a 5 year loan with an interest rate of 5% and had an outstanding balance of \$74,033 at December 31, 2011.

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

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 370,238	\$ 156,639	\$ 526,877
2013	351,869	138,659	490,528
2014	318,625	121,843	440,468
2015	335,138	106,530	441,668
2016	352,372	90,345	442,717
2017 - 2021	1,254,417	224,182	1,478,599
2022 - 2026	<u>316,846</u>	<u>9,785</u>	<u>326,631</u>
Total Debt Outstanding	<u>\$ 3,299,505</u>	<u>\$ 847,983</u>	<u>\$ 4,147,488</u>

VILLAGE OF CARDINGTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 8 - RETIREMENT SYSTEMS:-

The Village's full time law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time and part time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants, as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2011, participants contributed 10% of their salaries to OP&F. The Village contributed an amount equal to 19.5% of police participants' wages. For 2011, OPERS members contributed 10% of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries for 2011. The Village has paid all contributions required through December 31, 2011.

NOTE 9 - RISK MANAGEMENT:-

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

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

Risk Pool Membership

Through December 31, 2011, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage's to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk Management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retain 17.5% (15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009, respectively. The Village participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of-pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009, respectively. The Village does not participate in this coverage.

**VILLAGE OF CARDINGTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 9 - RISK POOL MANAGEMENT:- (continued)

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 (the latest information available).

	<u>2010 OPRM</u>	<u>2010 OPHC</u>	<u>2010 Total</u>
Assets	\$ 12,036,541	\$ 1,355,131	\$ 13,391,672
Liabilities	<u>(4,845,056)</u>	<u>(1,055,096)</u>	<u>(5,900,152)</u>
Member's Equity	<u>\$ 7,191,485</u>	<u>\$ 300,035</u>	<u>\$ 7,491,520</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, www.ohioplan.org.

NOTE 10 - SUBSEQUENT EVENTS:-

The Village evaluated subsequent events through June 22, 2012, the date which the financial statements were available to be issued.

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**Independent Accountants' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Required by Government Auditing Standards**

Village Council
Village of Cardington
Morrow County

We have audited the financial statements of the Village of Cardington, Morrow County, Ohio (the Village), as of and for the year ended December 31, 2011, and have issued our report thereon dated June 22, 2012, wherein we noted the Village had followed accounting practices the Auditor of State of Ohio prescribes rather than accounting principles generally accepted in the United States of America. 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 expressing our opinion on the financial statements, but not to opine 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We did note certain internal control matters that we reported to the Village's management in a separate letter dated June 22, 2012.

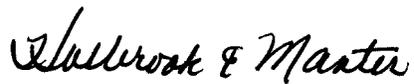
Compliance and Other Matters

As part of reasonably assuring whether the Government'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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2011-001 and 2011-002.

We also noted certain noncompliance or other matters that we reported to the Government's management in a separate letter dated June 22, 2012.

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

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



Certified Public Accountants

June 22, 2012

VILLAGE OF CARDINGTON
MORROW COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2011

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

Finding Number	2011-001
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Noncompliance Citation – Prior Certification of Expenditures

Ohio Revised Code, Section 5705.41 (D) requires that no orders or contracts involving the expenditures of monies are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

It was noted during the audit that expenditures by the Village were not certified in a timely manner.

Without timely certification, the Village may expend more funds than available in the treasury, in the process of collection or than funds appropriated.

We recommend that the Village implement a policy and procedure for contracts involving the expenditure of money be timely certified to insure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. The Village should issue approved purchase orders and consider using blanket and super blanket purchase orders and/or “Then and Now” certificates where applicable.

Officials’ Response

The Village’s Fiscal Officer is working with department heads to provide certification for expenditures prior to making any purchases with requisition forms being required prior to purchase and blanket purchase orders have been implemented for more of the recurring expenditures.

Finding Number	2011-002
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Noncompliance Citation – Expenditures Exceed Appropriations

Ohio Revised Code, Section 5705.41 (C), requires that no subdivision or taxing unit is to expend money unless it has been appropriated. In addition, Section 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the Fiscal Officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

During compliance testing, it was noted that the budgetary expenditures exceeded appropriations throughout the year for several line items. This condition limits the effectiveness of the Village compliance and budgetary controls and may result in overspending of the available funds. To prevent this from occurring, we recommend the Fiscal Officer deny payment request or purchase orders exceeding appropriations until the Village Council approves an increase to appropriations through a resolution and the Fiscal Officer then prepares an amendment to the original appropriation of expenditures.

Officials’ Response

Amended and supplemented appropriations are now being filed as necessary.

**VILLAGE OF CARDINGTON
MORROW COUNTY
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2010-001	Significant Deficiency - Internal Control and Review Procedures	Yes	Finding no longer valid.
2010-002	Significant Deficiency/Material Weakness - Material Missclassifications within the Financial Statements	Yes	Finding no longer valid.
2010-003	Material Weakness- Preparation of Year End Financial Statements	Yes	Finding no longer valid.
2010-004	Material Weakness- Posting Errors	Yes	Finding no longer valid.
2010-005	ORC 5705.41 (D) - Prior certification of expenditures.	No	Not corrected. Reported as finding 2011-001.
2010-006	ORC 5705.41 (C)- Expenditures exceed appropriations.	No	Not corrected. Reported as finding 2011-002.
2010-007	ORC 5705.39- Appropriations exceeding estimated resources	Yes	Finding no longer valid.



Dave Yost • Auditor of State

VILLAGE OF CARDINGTON

MORROW 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