



Dave Yost • Auditor of State

VILLAGE OF CARDINGTON
MORROW COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Cardington
Morrow County
215 Park Avenue
Cardington, Ohio 43315

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Cardington, Morrow County, Ohio, (the Village) as of and for the year ended December 31, 2012.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012, or changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Cardington, Morrow County, Ohio, as of December 31, 2012, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the 2011 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

October 24, 2014

**VILLAGE OF CARDINGTON
MORROW COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 231,714	\$ 60,944	\$ -	\$ 292,658
Municipal Income Tax	569,177	-	-	569,177
Intergovernmental	90,231	94,466	-	184,697
Special Assessments	522	-	-	522
Charges for Services	24	122,214	11,492	133,730
Fines, Licenses and Permits	44,670	875	-	45,545
Earnings on Investments	558	2,431	-	2,989
Miscellaneous	28,126	12,307	-	40,433
	-	-	-	-
<i>Total Cash Receipts</i>	<u>965,022</u>	<u>293,237</u>	<u>11,492</u>	<u>1,269,751</u>
Cash Disbursements				
Current:				
Security of Persons and Property	290,143	74,526	-	364,669
Public Health Services	1,417	-	-	1,417
Leisure Time Activities	-	12,820	-	12,820
Community Environment	1,624	-	-	1,624
Basic Utility Services	2,023	-	-	2,023
Transportation	-	187,456	-	187,456
General Government	356,589	3,386	-	359,975
Capital Outlay	-	20,317	-	20,317
Debt Service:				
Principal Retirement	-	41,757	8,850	50,607
Interest and Fiscal Charges	-	17,276	2,642	19,918
	-	-	-	-
<i>Total Cash Disbursements</i>	<u>651,796</u>	<u>357,538</u>	<u>11,492</u>	<u>1,020,826</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>313,226</u>	<u>(64,301)</u>	<u>-</u>	<u>248,925</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	2,434	-	-	2,434
Transfers In	-	165,017	-	165,017
Transfers Out	(150,000)	-	(15,017)	(165,017)
Other Financing Uses	-	-	(86)	(86)
	-	-	-	-
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(147,566)</u>	<u>165,017</u>	<u>(15,103)</u>	<u>2,348</u>
<i>Net Change in Fund Cash Balances</i>	165,660	100,716	(15,103)	251,273
<i>Fund Cash Balances, January 1 (Restated)</i>	<u>387,967</u>	<u>342,297</u>	<u>15,180</u>	<u>745,444</u>
Fund Cash Balances, December 31				
Restricted	-	443,013	77	443,090
Committed	361,715	-	-	361,715
Assigned	191,912	-	-	191,912
Unassigned (Deficit)	-	-	-	-
	-	-	-	-
<i>Fund Cash Balances, December 31</i>	<u>\$ 553,627</u>	<u>\$ 443,013</u>	<u>\$ 77</u>	<u>\$ 996,717</u>

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

**VILLAGE OF CARDINGTON
MORROW COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 1,382,544	\$ -	\$ 1,382,544
Miscellaneous	150,586	-	150,586
<i>Total Operating Cash Receipts</i>	<u>1,533,130</u>	<u>-</u>	<u>1,533,130</u>
Operating Cash Disbursements			
Personal Services	199,628	-	199,628
Employee Fringe Benefits	56,736	-	56,736
Contractual Services	253,800	-	253,800
Supplies and Materials	209,326	-	209,326
Other	19,181	-	19,181
<i>Total Operating Cash Disbursements</i>	<u>738,671</u>	<u>-</u>	<u>738,671</u>
<i>Operating Income (Loss)</i>	<u>794,459</u>	<u>-</u>	<u>794,459</u>
Non-Operating Receipts (Disbursements)			
Earnings on Investments (proprietary funds only)	438	-	438
Capital Outlay	(29,302)	-	(29,302)
Principal Retirement	(319,236)	-	(319,236)
Interest and Other Fiscal Charges	(136,647)	-	(136,647)
Other Financing Sources	-	44,544	44,544
Other Financing Uses	-	(45,642)	(45,642)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(484,747)</u>	<u>(1,098)</u>	<u>(485,845)</u>
<i>Net Change in Fund Cash Balances</i>	309,712	(1,098)	308,614
<i>Fund Cash Balances, January 1 (Restated)</i>	<u>831,409</u>	<u>4,992</u>	<u>836,401</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,141,121</u>	<u>\$ 3,894</u>	<u>\$ 1,145,015</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, 2012**

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 Cardington, Morrow County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police and fire protection services.

The Village of Cardington participates in two jointly governed organizations. These organizations are the Cardington-Lincoln Joint Recreation Board and the Glendale Union Cemetery. These organizations are presented in Note 11.

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 accounting basis 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.

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.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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 accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF CARDINGTON
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Fire Prevention & Firefighters Fund – This fund receives property tax proceeds and charges for services from Cardington and Lincoln Townships and Fort Morrow Consolidated Fire District. The funds are used to provide fire protection services to residents of the Village and other contracted local governments.

3. Capital Project Funds

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

3rd Street Storm Sewer Fund – The proceeds from this fund are being used to renovate the 3rd street storm sewer.

4. 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 Fund - This fund receives charges for services from residents to cover water service costs.

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

5. Fiduciary Funds

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

**VILLAGE OF CARDINGTON
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

5. Fiduciary Funds (Continued)

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 the Mayor's Court, which receives payments for fines and court costs. These monies are distributed to the Village, Morrow County, and the State of Ohio.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2012 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 are as follows:

1. Nonspendable

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

VILLAGE OF CARDINGTON
MORROW COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance Continued (Continued)

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.

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.

H. Accumulated Leave

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

**VILLAGE OF CARDINGTON
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

2. Restatement of Prior Year Fund Balances

Fund balances in the General and Special Revenue funds have been restated to record the Village's income tax for municipal operations in the General Fund rather than as a Special Revenue fund. Additionally, the Agency fund balance has been restated to reduce receipts originally reported.

	General	Special Revenue	Agency
Fund Balance at December 31, 2011	\$ 154,476	\$ 575,788	\$ 6,169
Correction in Fund Structure	233,491	(233,491)	-
Correction in Prior Year Receipts	-	-	(1,177)
Adjusted Fund Balance at December 31, 2011	\$ 387,967	\$ 342,297	\$ 4,992

3. Equity in Pooled Deposits and Investments

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

	2012
Demand Deposits	\$1,687,639
STAR Ohio	454,093
Total deposits and investments	\$2,141,732

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

4. Budgetary Activity

Budgetary activity for the year ending December 31, 2012 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 897,350	\$ 967,456	\$ 70,106
Special Revenue	407,962	458,254	50,292
Capital Projects	11,492	11,492	-
Enterprise	1,519,000	1,533,568	14,568
Total	\$ 2,835,804	\$ 2,970,770	\$ 134,966

**VILLAGE OF CARDINGTON
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

4. Budgetary Activity (Continued)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 962,964	\$ 804,951	\$ 158,013
Special Revenue	474,880	368,723	106,157
Capital Projects	26,797	26,672	125
Enterprise	1,402,795	1,243,843	158,952
Total	\$ 2,867,436	\$ 2,444,189	\$ 423,247

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.

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

6. Local Income Tax

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

The Village has contracted with the Regional Income Tax Authority (RITA) to collect municipal income taxes on behalf of the Village. RITA collects all Village income taxes and forwards these collections to the Village bi-monthly.

7. Debt

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
1971 Ohio Water Development Authority Loan	\$10,153	5.25%
1996 Ohio Water Development Authority Loan	631,809	4.16%
1996 Ohio Water Development Authority Loan	1,195,399	6.49%
2009 Ohio Water Development Authority Loan	322,591	0.00%
1980 Waterworks System Mortgage Revenue Bonds	333,000	5.00%
2009 Farmers Citizens Bank Loan	286,894	4.25%
2007 Chase Equipment Leasing Capital Lease	111,881	4.45%
2009 Key Government Finance Capital Lease	37,920	5.00%
Total	\$2,929,647	

**VILLAGE OF CARDINGTON
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

7. Debt (Continued)

OWDA loans consist of money owed to the Ohio Water Development Authority for the water and sewer plant expansion and the water main replacement project. OWDA loans are payable solely from the gross revenues of the water and sewer systems. As of December 31, 2012, the outstanding principal balance on these loans amounted to \$2,159,952.

During 1980, the Village issued mortgage revenue bonds for the improving the municipal waterworks system. The bonds will be repaid in annual installments over 36 years. The bonds are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover debt service requirements. As of December 31, 2012, the outstanding balance on this loan was \$333,000.

During 2009, the Village entered into a loan agreement with Farmers 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 \$286,894 at December 31, 2012.

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 an interest rate of 4.45% and had an outstanding balance of \$111,881 at December 31, 2012.

During 2009, the Village entered into a lease agreement with Key Government Financing. The lease was for the purchase of equipment. This is a 5 year lease with an interest rate of 5% and had an outstanding balance of \$37,920 at December 31, 2012.

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

Year ending December 31:	Capital Leases	OWDA Loans	Mortgage Revenue Bond	Promissory Note
2013	\$65,266	\$342,339	\$50,650	\$31,803
2014	25,450	331,795	50,950	31,803
2015	25,450	331,795	52,150	31,803
2016	25,450	331,795	53,200	31,803
2017	25,450	331,795	53,100	31,803
2018-2022	0	866,353	151,900	159,015
2023-2027	0	89,609	0	47,705
2028-2032	0	53,766	0	0
Total	<u>\$167,066</u>	<u>\$2,679,247</u>	<u>\$411,950</u>	<u>\$365,735</u>

8. Retirement Systems

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

**VILLAGE OF CARDINGTON
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

8. Retirement Systems (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2012, OP&F participants contributed 10% of their wages. For 2012, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village was not properly remitting retirement payments during the second half of 2012. They have since paid all contributions required through December 31, 2012.

9. Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as 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 is legally separate from its member governments.

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 coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs 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 retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 members as of December 31, 2012.

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 conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2012.

**VILLAGE OF CARDINGTON
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

9. Risk Management (Continued)

	<u>2012</u>
Assets	\$13,100,381
Liabilities	<u>(6,687,193)</u>
Members' Equity	<u>\$6,413,188</u>

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

10. Contingent Liabilities

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

11. Jointly Governed Organizations

Cardington-Lincoln Joint Recreation Board

The Village and the Cardington-Lincoln Local School District participate in a Joint Recreation Board, created under the provisions of Ohio Rev. Code Sections 755.12 to 755.18. The Joint Recreation District consists of two representatives from each participant, and one appointed by the four members. The degree of control exercised by the Village is limited to its representation on the Board. Financial information is available from the Treasurer, P.O. Box 10, Cardington, Ohio 43315.

Glendale Union Cemetery

The Village and Cardington Township participate in the Glendale Union Cemetery, a jointly governed organization created under the laws of the State of Ohio. The Glendale Union Cemetery provides grounds maintenance, opening and closing of graves, and the sale of grave lots. The Cemetery is directed by a three-member Board of Trustees appointed by the Cardington Township Trustees and the Cardington Village Council. Financial information is available from the Clerk/Treasurer, P.O. Box 86, Cardington, Ohio 43315

12. Subsequent Events

On January 31, 2013, the Village of Cardington and the Ohio Water Development Authority (OWDA) entered into an agreement for a loan for waste water treatment plant improvements. The OWDA has encumbered \$2,673,070 for the purpose of paying eligible project costs.

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Dave Yost • Auditor of State

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

Village of Cardington
Morrow County
215 Park Avenue
Cardington, Ohio 43315

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Cardington, Morrow County, Ohio, (the Village) as of and for the year ended December 31, 2012 and the related notes to the financial statements, and have issued our report thereon dated October 24, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We further noted the 2011 financial statements have been restated to correct a misstatement.

Internal Control Over Financial Reporting

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

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

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2012-001, 2012-002, 2012-003, 2012-005 and 2012-006 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-004 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-004 through 2012-006.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

October 24, 2014

VILLAGE OF CARDINGTON
MORROW COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012

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

FINDING NUMBER 2012-001

**Financial Statement Presentation
Material Weakness**

Sound financial reporting is the responsibility of the Fiscal Officer, Mayor, and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

Twenty audit adjustments and reclassifications were made to the financial statements to accurately reflect receipts, expenditures, and fund balances. These adjustments and reclassifications ranged in dollar amounts from \$600 to \$569,177.

Below are descriptions of the types of adjustments and reclassifications that were deemed material and required posting to the Village's December 31, 2012 financial statements.

- Property tax receipts were recorded at net amounts rather than gross amounts.
- Reclassification of intergovernmental receipts misposted as property tax receipts.
- Reclassification of fines, licenses & permits fees misposted as earnings on investments
- Adjustments to move receipts posted to improper funds (see Findings 2012-004 through 2012-006).
- Reclassification of debt service principal and interest expenditures misposted as capital outlay and security of persons and property.
- Adjustments to move Municipal Income Tax Fund activity from the Special Revenue Fund to the General Fund, including a restatement of beginning fund balance in both fund types.
- Reclassification of sewer charges for services receipts misposted as special assessments.
- Adjustments to record Mayor's Court Agency Fund activity on the Village's financial statements, including a restatement of beginning fund balance in the Agency fund. Also, as noted in Finding 2012-003, the Village did not perform bank to book reconciliations for the Mayor's Court bank account.
- Reclassifications to properly report fund balances as restricted, committed, assigned or unassigned.

The Village has recorded these adjustments and reclassifications to the financial statements and accounting records.

We recommend the Village implement additional procedures to provide assurance over the completeness and accuracy of information recorded in their accounting records and reported within the financial statements. Such procedures may include additional reviews of the financial statements including the notes to the financial statements by a member of management and an analytical comparison of the current year annual report to the prior year annual report for obvious errors or omissions.

Officials' Response:

Month-end procedures have been implemented and are constantly being improved, as well as the preparation of daily revenue reports, reconciling fund status reports, and reviewing all postings monthly. Going forward, the annual report will include the moving of the Municipal Income Tax Fund (2071) to the General Fund (1000) as recommended.

**VILLAGE OF CARDINGTON
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012
(Continued)**

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

FINDING NUMBER 2012-002

**Timely Posting of Transactions / Monthly Bank Reconciliations / Council Monitoring
Material Weakness**

Receipts and expenditures should be posted to the accounting ledgers in a timely manner to allow for monitoring and accurate reporting of the Village's financial activity. Additionally, monthly bank reconciliations should be performed by the Fiscal Officer to determine if all receipts and disbursements have been properly posted. Reconciling items should be investigated at the time of the reconciliation and resolved in a timely manner. Once completed, the reconciliation should be reviewed for completeness and accuracy by the Council.

The Village's previous Fiscal Officer did not post receipts or expenditures to the accounting ledgers during the period from July 2012 through December 2012, and consequently the Council did not review financial reports for these six months. In 2013, the Village contracted with a consultant to assist in preparing the accounting ledgers, including monthly bank reconciliations, for July 2012 through December 2012.

Furthermore, the Village was unreconciled at December 31, 2012, with book balances exceeding bank balances by \$570, and support was not maintained by the Village for \$234 in reconciling items.

When transactions are not posted timely and bank reconciliations are not performed, the Council does not have accurate knowledge of the financial status of the Village. Also, lack of monitoring of monthly financial reports and bank reconciliations may lead to errors, irregularities, or misappropriation of the Village's asset as well as misstated financial statements, such as those misstatements identified in Finding 2012-001.

We recommend the Fiscal Officer post all receipt and expenditures transactions to the accounting ledgers in the proper period and in a timely manner to aid in the reconciliation process. Monthly bank to book reconciliations should be performed that properly account for all transactions during the respective month as well as all reconciling items. We further recommend the Fiscal Officer provide the Council monthly system-generated financial reports, including detailed revenue and expenditure transaction reports, budget versus actual revenue and expenditure reports, bank reconciliation report, and fund balance reports. These reports should be reviewed by the Council and appropriate follow-up should be made regarding any unusual balances or transactions.

Officials' Response:

Currently, daily bank reconciliations are being completed, reconciled, and finally reviewed by the Chairman of the Finance Committee on a monthly basis. Monthly reports are being provided to the Council.

VILLAGE OF CARDINGTON
MORROW COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2012-003

**Mayor's Court Monthly Reconciliations
Material Weakness**

The Mayor's Court maintains a bank account separate from the Village Treasury through which the collections and disbursements of all moneys for the Mayor's Court are made. Monthly bank reconciliations should be performed by the Mayor's Court to determine if all receipts and disbursements have been properly posted. Reconciling items should be investigated at the time of the reconciliation and resolved in a timely manner. Documentation supporting all reconciling items should be included with the reconciliation. Once completed, the reconciliation should be reviewed for completeness and accuracy by management.

When bank reconciliations are not properly performed timely, monthly fund balances may be understated or overstated and management can't be assured that the ledgers reflect the proper financial activities of the Mayor's Court. Also, lack of legislative monitoring of the monthly bank reconciliations may lead to errors, irregularities, or misappropriation of the Mayor's Court's assets.

During 2012, the Mayor's Court Clerk did not complete monthly bank to book reconciliations and consequently management did not review reconciliations.

We recommend the Mayor's Court Clerk perform monthly bank to book reconciliations that properly account for all transactions during the respective month. In addition, the bank reconciliations, including supporting documentation, should be reviewed by management in order to assure accuracy and that all errors and/or irregularities are detected in a timely manner.

Officials' Response:

Procedures are being developed that include reconciling the totals from Revenue and Expense reports from the system to the developed excel check register report (our current system does not include a bank reconciliation feature). Additional training on the software is currently scheduled.

VILLAGE OF CARDINGTON
MORROW COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2012-004

Court Computerization Funds
Material Noncompliance / Significant Deficiency

Ohio Rev. Code § 1905.02 provides the provisions of Chapter 1907 of the Revised Code, insofar as they are relevant, apply in proceedings in a mayor's court, if the municipal corporation in which the mayor's court is located is within the jurisdiction of a county court.

Furthermore, **Ohio Rev. Code § 1907.261(B)(1)** provides a county court may determine that, for the efficient operation of the court, additional funds are required to computerize the office of the clerk of the court and, upon that determination, may include in its schedule of fees and costs under section 1907.24 of the Revised Code an additional fee not to exceed ten dollars on the filing of each cause of action or appeal, on the filing, docketing, and endorsing of each certificate of judgment, or on the docketing and indexing of each aid in execution or petition to vacate, revive, or modify a judgment that is equivalent to one described in division (A), (P), (Q), (T), or (U) of section 2303.20 of the Revised Code.

Lastly, **Ohio Rev. Code § 1907.261(A)(2)** provides that all fees collected under this section shall be paid on or before the twentieth day of the month following the month in which they are collected to the county treasurer. The treasurer shall place the funds from the fees in a separate fund to be disbursed either upon an order of the court, subject to an appropriation by the board of county commissioners, or upon an order of the court, subject to the court making an annual report available to the public listing the use of all such funds, in an amount not greater than the actual cost to the court of computerizing the court, procuring and maintaining computerized legal research services, or both.

During 2012, included on the Mayor's Court fee schedule was \$10 for court computerization. However, fees totaling \$841 collected by the Mayor's Court were posted to the Village's General fund rather than the Mayor's Court Computerization fund. Additionally during 2012, the Village expended \$600 in court computerization fees for lawn care equipment. As the aforementioned sections do not provide for the purchase of lawn care equipment, this was an unallowable expenditure of \$600 from the Mayor's Court Computerization fund.

The Village has agreed to, and posted adjustments in the financial statements and accounting ledgers to record the \$841 in receipts in the Mayor's Court Computerization fund rather than the General Fund and also to record the \$600 expenditure in the General Fund rather than the Mayor's Court Computerization Fund.

We recommend the Village closely monitor the expenditure of restricted monies to ensure the use is in agreement with the restricted purpose of the funds.

Officials' Response:

Amounts received for this fund have been posted to the computerization revenue account located in the General Fund (1000). Reclass entries are underway to move this to the specified Court Computerization Fund (2061).

VILLAGE OF CARDINGTON
MORROW COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2012-005

Revenue Posting
Material Noncompliance / Material Weakness

Ohio Rev. Code § 5705.10 provides, in part, all revenue derived from a source other than the general property tax and which the law prescribes, shall be used for a particular purpose is to be paid into a special fund for such purpose.

During 2012, the Village posted receipts to improper funds as follows:

- Fire Fund homestead and rollback receipts totaling \$4,354 were misposted to the General Fund.
- Permissive Motor Vehicle License Tax Fund permissive tax receipts totaling \$19,730 were misposted to the State Highway Fund (\$1,578) and Street Construction, Maintenance and Repair Fund (\$18,152).
- Street Construction, Maintenance and Repair Fund gas and license tax receipts totaling \$746 were misposted to the State Highway Fund.

The Village's accounting records and financial statements have been adjusted to properly record these receipts.

We recommend the Village closely monitor the posting of revenue derived for a particular purpose to ensure the revenue is paid into the special revenue fund for such purpose.

Officials' Response

The Permissive Tax Fund has been established and reclass entries completed for the current year. All revenues received now and in the future will be posted directly to the new Permissive Tax Fund.

VILLAGE OF CARDINGTON
MORROW COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2012-006

Fire Contract Receipts
Material Noncompliance / Material Weakness

The Village has entered into fire protection agreements with Cardington Township and Lincoln Township.

Section 2 of the agreement between the Village and Cardington Township states, in part, the Township shall compensate the Village 100% of its fire protection levy income after receiving such distribution from the Morrow County Auditor. Ten percent (10%) of all such monies paid to the Village shall be placed into the Fire Truck Replacement Account.

Section 2 of the agreement between the Village and Lincoln Township states, in part, the Township shall compensate the Village a lump sum payment of \$40,000 which shall be paid directly into the Fire Truck Replacement Fund and in addition thereto 100% of its levy income. Ten percent (10%) of all monies paid to the Village beyond the \$40,000 set forth above shall be placed into the Fire Truck Replacement Fund.

During 2012, the Village posted all fire levy monies to the Fire Levy Fund rather than allocating 10% of levy monies received by each Township into a Fire Truck Replacement Fund per the aforementioned agreements. As a result, Fire Levy Fund charges for services receipts were overstated by \$11,492.

The Village's accounting records and financial statements have been adjusted to move \$11,492 in charges for services receipts from the Fire Levy Fund to the Fire Truck Replacement Fund. Adjustments were also made to move \$11,492 in fire truck loan principal and interest expenditures from the Fire Levy Fund to the Fire Truck Replacement Fund.

We recommend the Village post revenues to the appropriate funds pursuant to the fire protection agreements with Cardington Township and Lincoln Township.

Officials' Response:

The Fire Truck Replacement Fund will be created and the needed budget amendments along with the reclass entries are in progress. All future revenues received from these contracts will include a posting of 10% to this fund.

**VILLAGE OF CARDINGTON
MORROW COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Noncompliance Citation – Prior Certification of Expenditures	No	Partially Corrected – Comment has been repeated in the current audit Management Letter.
2011-002	Noncompliance Citation – Expenditures Exceed Appropriations	Yes	

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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
DECEMBER 23, 2014**