



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 years ended December 31, 2014 and 2013.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

As described in Note 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.

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Cardington, Morrow County, Ohio, as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2016, 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

January 20, 2016

**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, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 222,563	\$ 72,220	\$ -	\$ 294,783
Municipal Income Tax	681,268	-	-	681,268
Intergovernmental	52,048	87,848	-	139,896
Special Assessments	1,880	-	-	1,880
Charges for Services	670	136,120	14,416	151,206
Fines, Licenses and Permits	35,314	4,692	-	40,006
Earnings on Investments	4,246	1,419	10	5,675
Miscellaneous	39,700	6,693	-	46,393
<i>Total Cash Receipts</i>	<u>1,037,689</u>	<u>308,992</u>	<u>14,426</u>	<u>1,361,107</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	331,183	66,168	-	397,351
Public Health Services	1,453	-	-	1,453
Leisure Time Activities	-	24,905	-	24,905
Community Environment	3,529	-	-	3,529
Basic Utility Services	1,992	-	-	1,992
Transportation	-	164,197	-	164,197
General Government	417,574	981	-	418,555
Capital Outlay	-	192,803	-	192,803
Debt Service:				
Principal Retirement	-	42,054	-	42,054
Interest and Fiscal Charges	-	15,199	-	15,199
<i>Total Cash Disbursements</i>	<u>755,731</u>	<u>506,307</u>	<u>-</u>	<u>1,262,038</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>281,958</u>	<u>(197,315)</u>	<u>14,426</u>	<u>99,069</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	270	280,922	-	281,192
Transfers Out	(280,922)	-	-	(280,922)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(280,652)</u>	<u>280,922</u>	<u>-</u>	<u>270</u>
<i>Net Change in Fund Cash Balances</i>	1,306	83,607	14,426	99,339
<i>Fund Cash Balances, January 1</i>	<u>718,411</u>	<u>510,622</u>	<u>13,549</u>	<u>1,242,582</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	594,229	27,975	622,204
Committed	649,808	-	-	649,808
Assigned	62,664	-	-	62,664
Unassigned (Deficit)	7,245	-	-	7,245
<i>Fund Cash Balances, December 31</i>	<u>\$ 719,717</u>	<u>\$ 594,229</u>	<u>\$ 27,975</u>	<u>\$ 1,341,921</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, 2014**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$ 1,321,157	\$ -	\$ 1,321,157
Miscellaneous	134,091	-	134,091
<i>Total Operating Cash Receipts</i>	<u>1,455,248</u>	<u>-</u>	<u>1,455,248</u>
<b>Operating Cash Disbursements</b>			
Personal Services	244,634	-	244,634
Employee Fringe Benefits	51,599	-	51,599
Contractual Services	226,042	-	226,042
Supplies and Materials	178,335	-	178,335
Other	4,312	-	4,312
<i>Total Operating Cash Disbursements</i>	<u>704,922</u>	<u>-</u>	<u>704,922</u>
<i>Operating Income (Loss)</i>	<u>750,326</u>	<u>-</u>	<u>750,326</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Property and Other Local Taxes			-
Intergovernmental	742,276	-	742,276
Earnings on Investments (proprietary funds only)	4,154	-	4,154
Miscellaneous Receipts	12,991	-	12,991
Capital Outlay	(725,678)	-	(725,678)
Principal Retirement	(590,158)	-	(590,158)
Interest and Other Fiscal Charges	(106,568)	-	(106,568)
Other Financing Sources	21,075	40,821	61,896
Other Financing Uses	-	(39,657)	(39,657)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(641,908)</u>	<u>1,164</u>	<u>(640,744)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	108,418	1,164	109,582
Special Item	231,911	-	231,911
Transfers Out	(270)	-	(270)
<i>Net Change in Fund Cash Balances</i>	340,059	1,164	341,223
<i>Fund Cash Balances, January 1</i>	<u>1,663,175</u>	<u>2,078</u>	<u>1,665,253</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 2,003,234</u>	<u>\$ 3,242</u>	<u>\$ 2,006,476</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 GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 237,932	\$ 74,451	\$ -	\$ 312,383
Municipal Income Tax	601,361	-	-	601,361
Intergovernmental	48,545	74,911	-	123,456
Special Assessments	330	-	-	330
Charges for Services	19	126,643	13,472	140,134
Fines, Licenses and Permits	42,653	2,946	-	45,599
Earnings on Investments	1,345	387	-	1,732
Miscellaneous	8,246	4,940	-	13,186
<i>Total Cash Receipts</i>	<u>940,431</u>	<u>284,278</u>	<u>13,472</u>	<u>1,238,181</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	265,572	66,035	-	331,607
Public Health Services	1,417	-	-	1,417
Leisure Time Activities	-	6,851	-	6,851
Community Environment	931	-	-	931
Basic Utility Services	2,420	-	-	2,420
Transportation	-	165,957	-	165,957
General Government	405,307	678	-	405,985
Capital Outlay	-	6,623	-	6,623
Debt Service:				
Principal Retirement	-	52,915	-	52,915
Interest and Fiscal Charges	-	17,610	-	17,610
<i>Total Cash Disbursements</i>	<u>675,647</u>	<u>316,669</u>	<u>-</u>	<u>992,316</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>264,784</u>	<u>(32,391)</u>	<u>13,472</u>	<u>245,865</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	-	100,000	-	100,000
Transfers Out	(100,000)	-	-	(100,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(100,000)</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	164,784	67,609	13,472	245,865
<i>Fund Cash Balances, January 1</i>	<u>553,627</u>	<u>443,013</u>	<u>77</u>	<u>996,717</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	510,622	13,549	524,171
Committed	211,212	-	-	211,212
Assigned	146,437	-	-	146,437
Unassigned (Deficit)	360,762	-	-	360,762
<i>Fund Cash Balances, December 31</i>	<u>\$ 718,411</u>	<u>\$ 510,622</u>	<u>\$ 13,549</u>	<u>\$ 1,242,582</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, 2013**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$ 1,472,896	\$ -	\$ 1,472,896
Miscellaneous	134,091	-	134,091
<i>Total Operating Cash Receipts</i>	<u>1,606,987</u>	<u>-</u>	<u>1,606,987</u>
<b>Operating Cash Disbursements</b>			
Personal Services	249,248	-	249,248
Employee Fringe Benefits	45,510	-	45,510
Contractual Services	270,805	-	270,805
Supplies and Materials	185,314	-	185,314
Other	582	-	582
<i>Total Operating Cash Disbursements</i>	<u>751,459</u>	<u>-</u>	<u>751,459</u>
<i>Operating Income (Loss)</i>	<u>855,528</u>	<u>-</u>	<u>855,528</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Intergovernmental	701,403	-	701,403
Earnings on Investments (proprietary funds only)	1,227	-	1,227
Other Debt Proceeds	1,619,908	-	1,619,908
Miscellaneous Receipts	7,960	-	7,960
Capital Outlay	(2,359,439)	-	(2,359,439)
Principal Retirement	(1,519,810)	-	(1,519,810)
Interest and Other Fiscal Charges	(120,974)	-	(120,974)
Other Financing Sources	-	39,620	39,620
Other Financing Uses	-	(41,436)	(41,436)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(1,669,725)</u>	<u>(1,816)</u>	<u>(1,671,541)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	(814,197)	(1,816)	(816,013)
Capital Contributions			-
Special Item	821,251	-	821,251
Extraordinary Item	515,000	-	515,000
<i>Net Change in Fund Cash Balances</i>	522,054	(1,816)	520,238
<i>Fund Cash Balances, January 1</i>	<u>1,141,121</u>	<u>3,894</u>	<u>1,145,015</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,663,175</u>	<u>\$ 2,078</u>	<u>\$ 1,665,253</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, 2014 AND 2013**

**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. Note 9 to the financial statements provides additional information for these entities.

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

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

**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.

Investments in STAR Ohio are recorded at share values the mutual fund reports.

**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, 2014 AND 2013  
(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. 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:

Fire Truck Replacement Fund – This fund receives 10% of the fire contract proceeds from Cardington Township and Lincoln Township as noted in the original contracts. This fund has been established to use a saving tool for when a replacement fire truck needs to be acquired.

**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, 2014 AND 2013  
(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 2014 and 2013 budgetary activity appears in Note 3.

**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, 2014 AND 2013  
(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, 2014 AND 2013  
(Continued)**

**2. 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:

	2014	2013
Demand Deposits	\$3,346,244	\$2,453,566
STAR Ohio	2,153	454,269
Total deposits and investments	\$3,348,397	\$2,907,835

**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.

**3. Budgetary Activity**

Budgetary activity for the year ending December 31, 2014 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 915,110	\$ 1,037,959	\$ 122,849
Special Revenue	684,091	589,914	(94,177)
Capital Projects	11,701	14,426	2,725
Enterprise	1,641,534	2,467,655	826,121
Total	\$ 3,252,436	\$ 4,109,954	\$ 857,518

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,266,387	\$ 1,062,254	\$ 204,133
Special Revenue	776,001	519,237	256,764
Enterprise	2,842,559	2,184,977	657,582
Total	\$ 4,884,947	\$ 3,766,468	\$ 1,118,479

**VILLAGE OF CARDINGTON  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**3. Budgetary Activity (Continued)**

Budgetary activity for the year ending December 31, 2013 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 764,111	\$ 940,431	\$ 176,320
Special Revenue	383,753	384,278	525
Capital Projects	13,472	13,472	-
Enterprise	5,102,978	5,273,736	170,758
Total	\$ 6,264,314	\$ 6,611,917	\$ 347,603

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,006,171	\$ 788,357	\$ 217,814
Special Revenue	464,932	334,666	130,266
Capital Projects	77	-	77
Enterprise	4,882,637	4,769,042	113,595
Total	\$ 6,353,817	\$ 5,892,065	\$ 461,752

**4. 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.

**5. Local Income Tax**

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

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.

**VILLAGE OF CARDINGTON  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**6. Debt**

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
1996 Ohio Water Development Authority Loan	394,573	4.16%
1996 Ohio Water Development Authority Loan	999,175	6.49%
2009 Ohio Water Development Authority Loan	286,748	0.00%
2013 Ohio Water Development Authority Loan	1,249,430	0.00%
1980 Waterworks System Mortgage Revenue Bonds	263,000	5.00%
2009 Farmers Citizens Bank Loan	246,421	4.25%
2007 Chase Equipment Leasing Capital Lease	70,028	4.45%
Total	\$3,509,375	

The 1996 and 2009 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, 2014, the outstanding principal balance on these loans amounted to \$1,680,496.

In 2013, the Village obtained an additional OWDA loan for the wastewater improvement project. Payments of \$460,995 have been made on this loan during 2013 and 2014. As of December 31, 2014, the balance on this loan was \$1,249,430; however, this loan has not been finalized and no repayment schedule has been established.

The Village also received principal forgiveness loans from OWDA for the wastewater improvement project in 2013 (\$821,251) and in 2014 (\$231,911). This loan activity has been reported as special item receipts and principal retirement expenditures in the Enterprise fund.

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, 2014, the outstanding balance on these bonds was \$263,000.

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 \$246,421 at December 31, 2014.

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 \$70,028 at December 31, 2014.

**VILLAGE OF CARDINGTON  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**6. Debt (Continued)**

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

Year ending December 31:	Capital Leases	1996/2009 OWDA Loans	Mortgage Revenue Bond	Promissory Note
2015	\$25,450	\$331,795	\$52,150	\$31,803
2016	25,450	331,975	53,200	31,803
2017	25,450	331,975	53,100	31,803
2018	0	190,532	51,900	31,803
2019	0	190,532	50,650	31,803
2020-2024	0	521,134	49,350	143,114
2025-2029	0	89,609	0	0
2030-2034	0	17,922	0	0
Total	<u>\$76,350</u>	<u>\$2,005,474</u>	<u>\$310,350</u>	<u>\$302,129</u>

**7. 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.

The Ohio Revised Code also prescribes contribution rates. From January 1, 2013 through June 30, 2013, OP&F participants contributed 10% of their wages. From July 1, 2013 through June 30, 2014, OP&F participants contributed 10.75% of their wages. From July 1, 2014 through December 31, 2014, OP&F participants contributed 11.5% of their wages. For 2013 and 2014, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2013 and 2014, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

**8. 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.

**VILLAGE OF CARDINGTON  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**8. Risk Management (Continued)**

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 774 and 783 members as of December 31, 2013 and 2014 respectively.

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, 2013 and 2014:

	<b>2013</b>	<b>2014</b>
Assets	\$13,774,304	\$14,830,185
Liabilities	(7,968,395)	(8,942,504)
Members' Equity	\$5,805,909	\$5,887,681

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**9. 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.

**VILLAGE OF CARDINGTON  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**10. Extraordinary Item**

In 2013, the Village received \$515,000 as part of a legal settlement between the U.S. Environmental Protection Agency and a local company, due to the discharge of chemicals into the Village's wastewater system. This settlement has been reported as an extraordinary item receipt in the Enterprise Fund.



# 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 years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated January 20, 2016, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

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

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 and significant deficiencies.

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 2014-001 and 2014-002 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 findings 2014-003 and 2014-004 described in the accompanying schedule of findings to be significant deficiencies.

***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 2014-002 through 2014-004.

***Village's Response to Findings***

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

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 20, 2016

**VILLAGE OF CARDINGTON  
MORROW COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

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

**FINDING NUMBER 2014-001**

**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.

Thirty-five 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 \$77 to \$774,532.

Below are descriptions of the types of adjustments and reclassifications that were deemed material and required posting to the Village's 2014 and 2013 financial statements.

- In 2013 and 2014, reclassification of intergovernmental receipts misposted as property tax receipts in the General Fund and Special Revenue Funds.
- In 2013 and 2014, adjustment to move Cardington Youth Foundation Fund activity from the Enterprise Fund to the Special Revenue Funds.
- In 2013 and 2014, reclassification of loan proceeds misposted as intergovernmental receipts in the Enterprise Funds.
- In 2013, reclassification of EPA settlement misposted as other financing sources rather than extraordinary item in the Enterprise Funds.
- In 2013, reclassification of principal retirement expenditures misposted as interest & other fiscal charges in the Enterprise Funds.
- Adjustments to move receipts posted to improper funds (see Findings 2014-002 through 2014-004).
- In 2013 and 2014, reclassification of debt service principal and interest expenditures misposted as security of persons and property in the Special Revenue Funds.
- In 2014, adjustment to eliminate intra-fund transfer in the General Fund.
- In 2013 and 2014, reclassification of sewer charges for services receipts misposted as special assessments in the Enterprise Funds.
- Adjustments to record Mayor's Court Agency Fund activity on the Village's 2013 financial statements.
- In 2013 and 2014, reclassification of Agency fund receipts/disbursements from operating to non-operating.
- In 2013, adjustment to move Third Street Storm Project Fund activity from the Special Revenue Funds to the Capital Projects Funds.
- In 2013 and 2014, reclassifications to properly report fund balances as restricted, committed, assigned or unassigned in the General and Special Revenue Funds.

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.

**VILLAGE OF CARDINGTON  
MORROW COUNTY**  
**SCHEDULE OF FINDINGS**  
**DECEMBER 31, 2014 AND 2013**  
**(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
--

**Officials' Response:**

Month end procedures are constantly evolving to add additional reconciliations and reviews. The majority of the items listed in Finding 2014-001 include reclassifications. The other items were corrected in 2014 with the completion of the 2012 audit. UAN support has been contacted to obtain assistance with moving of the fund numbers and types and the correct classifications of line items as requested.

**FINDING NUMBER 2014-002**

**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 2014, the Village appropriately allocated 10% of fire levy monies received from Cardington and Lincoln Townships to the Fire Truck Replacement Fund. However, during 2013, the Village posted all fire levy monies to the Fire Levy Fund rather than allocating 10% of levy monies received from each Township into the Fire Truck Replacement Fund per the aforementioned agreements. As a result, Fire Levy Fund charges for services receipts were overstated by \$13,472.

The Village's accounting records and financial statements have been adjusted to move \$13,472 in charges for services receipts 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 (4901) was re-created in 2014 as recommended with the completion of our 2012 audit. All postings since that time and going forward will include a posting of 10% to this fund.

**VILLAGE OF CARDINGTON  
MORROW COUNTY**  
**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2014-003**

**Revenue Posting  
Material Noncompliance / Significant Deficiency**

**Ohio Rev. Code § 5705.10** states, 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.

The Village posted receipts to improper funds as follows:

- In 2013, Fire Fund homestead and rollback receipts totaling \$2,109 were misposted to the General Fund.
- In 2013, Permissive Motor Vehicle License Tax Fund permissive tax receipts totaling \$19,586 were misposted to the State Highway Fund (\$1,561) and Street Construction, Maintenance and Repair Fund (\$18,025).
- In 2014, Fire Fund homestead and rollback receipts totaling \$4,228 were misposted to the General 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:**

This finding includes 2 areas – Permissive and Rollback taxes.

The Permissive Fund (2101) was re-created in 2014 as recommended with the completion of our 2012 audit. All postings since that time and going forward will be posted to this fund.

Rollback taxes – this is an area that has been corrected for 2015 and will be posted to both the Fire Fund (2901) and General Fund (1000) going forward.

**VILLAGE OF CARDINGTON  
MORROW COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2014-004**

**Court Computerization Funds  
Material Noncompliance / Significant Deficiency**

**Ohio Rev. Code § 1905.02** states 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)** states 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 2013, included on the Mayor's Court fee schedule was \$10 for court computerization. However, fees totaling \$2,746 collected by the Mayor's Court were posted to the Village's General fund rather than the Mayor's Court Computerization fund.

The Village has agreed to, and posted adjustments in the financial statements and accounting ledgers to record the \$2,746 in receipts in the Mayor's Court Computerization fund rather than the General 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:**

Upon completion of the 2012 audit in 2014, this item was corrected. All items are currently being posted to Court Technology Fund (2061) and will continue in the future.

**VILLAGE OF CARDINGTON  
MORROW COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-001	Financial Statement Presentation – Material Weakness	No	Not Corrected. See Finding 2014-001.
2012-002	Timely Posting of Transactions / Monthly Bank Reconciliations / Council Monitoring – Material Weakness	Yes	
2012-003	Mayor’s Court Monthly Reconciliations – Material Weakness	Yes	
2012-004	Ohio Rev. Code § 1907.261 - Court Computerization Funds – Material Noncompliance / Significant Deficiency	No	Not Corrected. See Finding 2014-004.
2012-005	Ohio Rev. Code § 5705.10 - Revenue Posting – Material Noncompliance / Material Weakness	No	Not Corrected. See Finding 2014-003.
2012-006	Fire Protection Agreement, Section 2 - Fire Contract Receipts – Material Noncompliance / Material Weakness	No	Not Corrected. See Finding 2014-002.

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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  
FEBRUARY 16, 2016