

**VILLAGE OF CARDINGTON**  
**MORROW COUNTY**  
REPORT ON FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009





# Dave Yost • Auditor of State

Village Council  
Village of Cardington  
215 Park St.  
Cardington, Ohio 43315

We have reviewed the *Independent Auditors' Report* of the Village of Cardington, Morrow County, prepared by Holbrook & Manter, for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Cardington is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

January 9, 2012

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## INDEPENDENT AUDITORS' REPORT

Village Council  
Village of Cardington  
Morrow County

We have audited the accompanying financial statements of the Village of Cardington, Morrow County, Ohio, (the Village) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

Instead of the combined funds the accompanying financial statements present for 2010 and 2009, GAAP requires presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State of Ohio permits, but does not require, governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State of Ohio permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Village of Cardington, Morrow County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As described in Note 9, for the years ended December 31, 2010 and 2009, the Village changed its financial presentation from the comparable requirements of Governmental Accounting Standard No.34, *Basic Financial Statements- and Management's Discussion and Analysis – for State and Local Governments* to the accounting practices the Auditor of State prescribes or permits.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2011 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Certified Public Accountants

September 15, 2011



**VILLAGE OF CARDINGTON**  
**MORROW COUNTY**  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES-  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<b>GOVERNMENTAL FUND TYPES</b>				<b>(Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Services</b>	<b>Capital Project</b>	<b>Total</b>
<b>CASH RECEIPTS:</b>					
Local taxes	\$ 299,042	\$ 79,403	\$ 0	\$ 0	\$ 378,445
Municipal income taxes	0	479,368	0	0	479,368
Intergovernmental	27,498	80,736	0	0	108,234
Charges for services	35	104,500	0	0	104,535
Special assessments	413	0	0	0	413
Fines, licenses, and permits	41,067	0	0	0	41,067
Earnings on investments	636	524	0	25	1,185
Miscellaneous	10,148	8,752	0	0	18,900
Total cash receipts	378,839	753,283	0	25	1,132,147
<b>CASH DISBURSEMENTS:</b>					
<b>Current:</b>					
Security of persons and property	424,693	127,210	0	0	551,903
Public health services	1,300	0	0	0	1,300
Leisure time activities	0	6,471	0	0	6,471
Community environment	6,096	0	0	0	6,096
Basic utility services	10,786	0	0	0	10,786
Transportation	0	529,637	0	0	529,637
General government	273,615	118,957	0	0	392,572
Capital outlay	0	25,656	0	3,682	29,338
Debt service					
Redemption of principal	0	46,685	13,853	0	60,538
Interest and other fiscal charges	0	26,199	468	0	26,667
Total cash disbursements	716,490	880,815	14,321	3,682	1,615,308
Total receipts over (under) cash disbursements	( 337,651)	( 127,532)	( 14,321)	( 3,657)	( 483,161)
<b>Other financing receipts (disbursements):</b>					
Sale of fixed assets	2,889	3,000	0	0	5,889
Other financing sources	50,000	0	14,321	0	64,321
Transfers - in	110,000	30,600	0	0	140,600
Transfers - out	0	( 140,600)	0	0	( 140,600)
Total other financing receipts (disbursements)	162,889	( 107,000)	14,321	0	70,210
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	( 174,762)	( 234,532)	0	( 3,657)	( 412,951)
Fund cash balances January 1, 2010	251,714	861,927	0	44,358	1,157,999
Fund cash balances, December 31, 2010	\$ 76,952	\$ 627,395	\$ 0	\$ 40,701	\$ 745,048
<b>Reserve for encumbrances, December 31, 2010</b>	\$ 10,513	\$ 32,499	\$ 0	\$ 0	\$ 43,012

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

**VILLAGE OF CARDINGTON**  
**MORROW COUNTY**  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGE IN  
FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES-  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Proprietary Fund</u>	<u>Agency Fund</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Fiduciary</u>	
<b>OPERATING CASH RECEIPTS:</b>			
Charges for services	\$ 720,343	\$ 0	\$ 720,343
Total operating cash receipts	<u>720,343</u>	<u>0</u>	<u>720,343</u>
<b>OPERATING CASH DISBURSEMENTS:</b>			
Personal services	200,222	0	200,222
Employee fringe benefits	61,646	0	61,646
Contractual services	202,167	0	202,167
Supplies and materials	<u>170,730</u>	<u>0</u>	<u>170,730</u>
Total operating cash disbursements	<u>634,765</u>	<u>0</u>	<u>634,765</u>
Operating income	<u>85,578</u>	<u>0</u>	<u>85,578</u>
<b>NON-OPERATING CASH RECEIPTS:</b>			
Intergovernmental	45,802	0	45,802
Special Assessments	276,771	0	276,771
Interest	410	3	413
Fines collected	0	42,455	42,455
Miscellaneous	192,981	0	192,981
Sale of notes	213,133	0	213,133
Other financing sources	<u>24,539</u>	<u>0</u>	<u>24,539</u>
Total non-operating cash receipts	<u>753,636</u>	<u>42,458</u>	<u>796,094</u>
<b>NON-OPERATING CASH DISBURSEMENTS:</b>			
Capital outlay	388,544	0	388,544
Redemption of principal	282,279	0	282,279
Interest and other fiscal charges	167,478	0	167,478
Fines distributed	<u>0</u>	<u>39,530</u>	<u>39,530</u>
Total non-operating cash disbursements	<u>838,301</u>	<u>39,530</u>	<u>877,831</u>
Excess of receipts over disbursements before interfund transfers and advances	913	2,928	3,841
Fund cash balances, January 1, 2010	<u>762,079</u>	<u>3,241</u>	<u>765,320</u>
Fund cash balances, December 31, 2010	<u>\$ 762,992</u>	<u>\$ 6,169</u>	<u>\$ 769,161</u>
<b>Reserve for encumbrances, December 31, 2010</b>	<u>\$ 32,010</u>	<u>\$ 0</u>	<u>\$ 32,010</u>

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

**VILLAGE OF CARDINGTON**  
**MORROW COUNTY**  
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
 FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES-  
 FOR THE YEAR ENDED DECEMBER 31, 2009

	<b>GOVERNMENTAL FUND TYPES</b>				<b>(Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Services</b>	<b>Capital Project</b>	<b>Total</b>
<b>CASH RECEIPTS:</b>					
Local taxes	\$ 303,715	\$ 70,883	\$ 0	\$ 0	\$ 374,598
Municipal income taxes	0	522,747	0	0	522,747
Intergovernmental	31,872	91,929	0	0	123,801
Charges for services	37	95,177	0	0	95,214
Special assessments	693	0	0	0	693
Fines, licenses, and permits	50,640	50	0	0	50,690
Earnings on investments	1,815	1,666	0	110	3,591
Miscellaneous	3,154	6,374	0	0	9,528
<b>Total cash receipts</b>	<b>391,926</b>	<b>788,826</b>	<b>0</b>	<b>110</b>	<b>1,180,862</b>
<b>CASH DISBURSEMENTS:</b>					
<b>Current:</b>					
Security of persons and property	369,378	96,587	0	0	465,965
Public health services	1,300	0	0	0	1,300
Leisure time activities	0	68,629	0	0	68,629
Community environment	2,817	0	0	0	2,817
Basic utility services	7,900	0	0	0	7,900
Transportation	0	294,290	0	0	294,290
General government	256,284	140,506	0	0	396,790
Capital outlay	0	131,462	0	0	131,462
Debt service					
Redemption of principal	0	39,320	35,983	0	75,303
Interest and other fiscal charges	0	23,707	2,161	0	25,868
<b>Total cash disbursements</b>	<b>637,679</b>	<b>794,501</b>	<b>38,144</b>	<b>0</b>	<b>1,470,324</b>
Total receipts over (under) cash disbursements	( 245,753)	( 5,675)	( 38,144)	110	( 289,462)
<b>Other financing receipts (disbursements)</b>					
Sale of notes	0	410,333	0	0	410,333
Sale of fixed assets	0	3,000	0	0	3,000
Transfers - in	85,505	388,955	38,144	0	512,604
Transfers - out	0	( 599,460)	( 38,144)	0	( 637,604)
Other financing sources	0	0	38,144	0	38,144
<b>Total other financing receipts (disbursements)</b>	<b>85,505</b>	<b>202,828</b>	<b>38,144</b>	<b>0</b>	<b>326,477</b>
Excess of cash receipts and other financing receipts over cash disbursements and other financing disbursements	( 160,248)	197,153	0	110	37,015
Fund cash balances January 1, 2009 (restated)	411,962	664,774	0	44,248	1,120,984
Fund cash balances, December 31, 2009	\$ 251,714	\$ 861,927	\$ 0	\$ 44,358	\$ 1,157,999
<b>Reserve for encumbrances, December 31, 2009</b>	<b>\$ 5,918</b>	<b>\$ 8,570</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 14,488</b>

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

**VILLAGE OF CARDINGTON**  
**MORROW COUNTY**  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGE IN  
FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Proprietary Fund</u>	<u>Agency Fund</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Fiduciary</u>	
<b>OPERATING CASH RECEIPTS:</b>			
Charges for services	\$ 677,550	\$ 0	\$ 677,550
Total operating cash receipts	<u>677,550</u>	<u>0</u>	<u>677,550</u>
<b>OPERATING CASH DISBURSEMENTS:</b>			
Personal services	211,535	0	211,535
Employee fringe benefit:	110,777	0	110,777
Contractual services:	93,686	0	93,686
Capital outlay	272,203	0	272,203
Supplies and materials:	177,877	0	177,877
Other	<u>0</u>	<u>0</u>	<u>0</u>
Total operating cash disbursement:	<u>866,078</u>	<u>0</u>	<u>866,078</u>
Operating income	<u>( 188,528)</u>	<u>0</u>	<u>( 188,528)</u>
<b>NON-OPERATING CASH RECEIPTS:</b>			
Intergovernmental revenue	634,217	0	634,217
Special assessments	281,334	0	281,334
Interest	1,335	7	1,342
Fines collected	0	39,700	39,700
Miscellaneous	181,039	0	181,039
Other financing sources:	<u>138,311</u>	<u>0</u>	<u>138,311</u>
Total non-operating cash receipt:	<u>1,236,236</u>	<u>39,707</u>	<u>1,275,943</u>
<b>NON-OPERATING CASH DISBURSEMENTS:</b>			
Capital outlay	1,038,495	0	1,038,495
Debt service			
Redemption of principal	290,871	0	290,871
Interest and other fiscal charges	175,433	0	175,433
Fines distributed	<u>0</u>	<u>39,798</u>	<u>39,798</u>
Total non-operating cash disbursement	<u>1,504,799</u>	<u>39,798</u>	<u>1,544,597</u>
Excess of receipts over disbursements before interfund transfers and advance	<u>( 457,091)</u>	<u>( 91)</u>	<u>( 457,182)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Sale of fixed assets	6,025	0	6,025
Sale of notes	265,969	0	265,969
Transfers-in	210,000	0	210,000
Transfers-out	<u>( 85,000)</u>	<u>0</u>	<u>( 85,000)</u>
Total other financing sources (uses)	<u>396,994</u>	<u>0</u>	<u>396,994</u>
Net receipts over disbursements	<u>( 60,097)</u>	<u>( 91)</u>	<u>( 60,188)</u>
Fund cash balances, January 1, 2009 (restated)	<u>822,176</u>	<u>3,332</u>	<u>825,508</u>
Fund cash balances, December 31, 2009	<u>\$ 762,079</u>	<u>\$ 3,241</u>	<u>\$ 765,320</u>
<b>Reserve for encumbrances, December 31, 2009</b>	<u>\$ 8,553</u>	<u>\$ 0</u>	<u>\$ 8,553</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, 2010 AND 2009

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-**

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

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

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

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

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

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

**General Fund**

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

**Special Revenue Funds**

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

*Street Construction, Maintenance and Repair Fund*

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

*Fire Protection Fund*

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

*Income Tax Fund*

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

**VILLAGE OF CARDINGTON  
MORROW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

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

Debt Service Funds

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service funds:

*Cardington Lincoln Recreation*

This fund receives proceeds from the General Fund and is used to pay off debt in connection with a swimming pool.

Capital Project Funds

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

*3<sup>rd</sup> Street Storm Sewer Fund*

The proceeds from this fund are being used to renovate the 3<sup>rd</sup> street sewer.

Enterprise Funds

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

*Water Fund*

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

*Sewer Fund*

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

*Water Distribution Upgrade Fund*

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

Fiduciary Funds

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

*Mayor's Court Fund*

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

- E. Budgetary Process** - The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, or object level of control, and appropriations may not exceed estimated resources. The Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

**VILLAGE OF CARDINGTON  
MORROW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

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

Estimated Resources

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

Encumbrances

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

A summary of 2010 and 2009 budgetary activity appears in Note 3.

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

**NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS:-**

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

	<u>2010</u>	<u>2009</u>
Demand deposits	\$ 192,304	\$ 192,411
Star Ohio Investments	453,492	453,002
Repurchase agreement	<u>868,413</u>	<u>1,277,906</u>
<b>Total investments and deposits</b>	<b><u>\$ 1,514,209</u></b>	<b><u>\$ 1,923,319</u></b>

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

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

**VILLAGE OF CARDINGTON  
MORROW COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

**NOTE 3 - BUDGETARY ACTIVITY:-**

Budgetary activity for the year ending December 31, 2010 was as follows:

**2010 Budgeted VS. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 459,520	\$ 541,728	\$ 82,208
Special Revenue	728,862	786,883	58,021
Debt Service	14,321	14,321	0
Capital Project	22	25	3
Enterprise	1,171,793	1,473,979	302,186
Agency	<u>0</u>	<u>42,458</u>	<u>42,458</u>
Total	\$ <u>2,374,518</u>	\$ <u>2,859,394</u>	\$ <u>484,876</u>

**2010 Budgeted VS. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 781,149	\$ 727,003	\$ 54,146
Special Revenue	1,785,527	1,053,914	731,613
Debt Service	14,332	14,321	11
Capital Projects	45,000	3,682	41,318
Enterprise	1,751,106	1,505,076	246,030
Agency	<u>0</u>	<u>39,530</u>	<u>( 39,530)</u>
Total	\$ <u>4,377,114</u>	\$ <u>3,343,526</u>	\$ <u>1,033,588</u>

Contrary to Ohio law, during 2010, the budgetary expenditures exceeded the appropriation authority in the Agency Funds by \$39,530.

Contrary to Ohio law, during 2010 appropriations exceeded actual resources available in the the Special Revenue Funds by \$136,717, the Debt Service Funds by \$11 and the Capital Projects Funds by \$617.



**VILLAGE OF CARDINGTON**  
**MORROW COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

**NOTE 3 - BUDGETARY ACTIVITY:-** (continued)

Budgetary activity for the year ending December 31, 2009 was as follows:

**2009 Budgeted VS. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 301,950	\$ 477,431	\$ 175,481
Special Revenue	1,371,627	1,591,114	219,487
Debt Service	38,144	76,288	38,144
Capital Project	1,000	110	( 890)
Enterprise	1,988,622	2,395,780	407,158
Agency	<u>0</u>	<u>39,707</u>	<u>39,707</u>
Total	\$ <u>3,701,343</u>	\$ <u>4,580,430</u>	\$ <u>879,087</u>

**2009 Budgeted VS. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 762,362	\$ 643,597	\$ 118,765
Special Revenue	1,457,000	1,402,531	54,469
Debt Service	38,144	76,288	( 38,144)
Capital Projects	45,000	0	45,000
Enterprise	1,507,608	2,464,430	( 956,822)
Agency	<u>0</u>	<u>39,798</u>	<u>( 39,798)</u>
Total	\$ <u>3,810,114</u>	\$ <u>4,626,644</u>	\$ <u>( 816,530)</u>

Contrary to Ohio law, actual receipts were less than estimated resources during 2009 in the Capital Project Fund by \$890.

Contrary to Ohio law, during 2009, the budgetary expenditures exceeded the appropriation authority in the Debt Service Fund by \$38,144, the Enterprise Fund by \$956,822, and in the Agency Funds by \$39,798.

Contrary to Ohio law, during 2009 appropriations exceeded actual resources available in the Capital Project Fund by \$642.

**VILLAGE OF CARDINGTON  
MORROW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 4 - PROPERTY TAX:-**

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**NOTE 5 - LOCAL INCOME TAX:-**

The Village levies a municipal income tax of one (1.00) percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

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

**NOTE 6 - DEBT:-**

Debt outstanding at December 31, 2010 was as follows:

	<u>Rate</u>	<u>Principal Balance 2010</u>
1978 Ohio Water Development Authority Loan	5.25%	\$ 28,703
1996 Ohio Water Development Authority Loan	4.16%	850,292
1996 Ohio Water Development Authority Loan	6.49%	1,368,435
2009 Ohio Water Development Authority Loan	0.00%	358,435
1977 Berkadia Loan	5.00%	86,000
1991 Berkadia Loan	5.00%	398,000
2007 Chase Bank Loan	4.45%	153,010
2009 Farmers Citizens Loan	3.15%	13,912
2009 Farmers Citizens Loan	4.25%	324,085
2009 Key Government Loan	5.00%	108,428
		<u>\$ 3,689,300</u>

**VILLAGE OF CARDINGTON**  
**MORROW COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

**NOTE 6 - DEBT**:- (continued)

The Ohio Water Development Authority (OWDA) loans relate to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA approved up to \$4,341,770 in loans to the Village for this project. The loans are being repaid in semiannual installments including interest, over 20, 25, and 40 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. As of December 31, 2010, the outstanding principal balance on these loans amounted to \$2,247,430.

The Berkadia loans relate to water and sewer plant improvement projects. The loans will be repaid in semiannual installments including interest, over 30-35 years. The loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover Berkadia debt service requirements. As of December 31, 2010, the outstanding balance on these loans was \$484,000.

During 2001, the Village issued swimming pool bonds on behalf of the Cardington Recreation District. The current obligation bond outstanding was issued to provide funds for the improvement of the local swimming pool and is a general obligation of the Village for which the full faith and credit of the Village is pledged for repayment. The payments of principal and interest relating to this debt are recorded as expenditures in the debt service fund. The source of payment is derived from a current bonded debt levy of the Cardington Recreation District, which is remitted to the Village and recorded as an other financing source in the debt service fund. The Village repaid this loan in 2010.

During 2005, the Village issued a note for the purchase of land for a well site. The land is 17.50 acres in Richland Township. The loan is a four year loan with Farmer's Citizens bank with an interest rate of 3.10%. The Village repaid this loan in 2009.

During 2007, the Village entered into a lease agreement with Chase Equipment Leasing Inc. The lease is for the purchase of a Sutphen 2006 Custom Shield Pumper fire truck. This is a ten year lease with Chase bank with an interest rate of 4.45% and had an outstanding balance of \$153,010 at December 31, 2010.

During 2008, the Village entered into a loan agreement with Farmer's Citizens bank. The loan was for the purchase of land for future expansion of the sewer plant. This is a 3 year loan with an interest rate of 3.15% and had an outstanding balance of \$13,912 at December 31, 2010.

During 2009, the Village entered another loan agreement with the Ohio Water Development Authority (OWDA) for a water main replacement project. OWDA approved \$358,435 for the Village for this project. The loan is being repaid in semiannual installments over 20 years. As of December 31, 2010, the outstanding principal balance on this loan amounts to \$358,435.

During 2009, the Village entered into a loan agreement with Farmer's Citizens bank. The loan was for construction of a street building. This is a 15 year loan with an interest rate of 4.25% and had an outstanding balance of \$324,085 at December 31, 2010.

During 2009, the Village entered into a loan agreement with Key Government Financing. The loan was for the purchase of equipment. This a 5 year loan with an interest rate of 5% and had an outstanding balance of \$108,428 at December 31, 2010.

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

**VILLAGE OF CARDINGTON  
MORROW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 6 - DEBT:-** (continued)

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 351,467	\$ 174,138	\$ 525,605
2012	352,317	156,639	508,956
2013	351,946	138,659	490,605
2014	300,703	121,843	422,546
2015	317,216	106,530	423,746
2016 - 2020	912,793	227,849	1,140,642
2021 - 2025	744,423	96,463	840,886
2026 - 2030	<u>0</u>	<u>0</u>	<u>0</u>
	\$ 3,330,865	\$ <u>1,022,121</u>	\$ <u>4,352,986</u>
No Amortization Schedule	<u>358,435</u>		
Total Debt Outstanding	<u>\$ 3,689,300</u>		

**NOTE 7 - RETIREMENT SYSTEMS:-**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2010 and 2009, participants contributed 10% of their salaries to OP&F. The Village contributed an amount equal to 19.5% of police participants' wages. For 2010 and 2009, OPERS members contributed 10% of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries for 2010 and 2009. The Village has paid all contributions required through December 31, 2010.

**NOTE 8 - RISK MANAGEMENT:-**

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

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

*Risk Pool Membership*

Through December 31, 2010, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

**VILLAGE OF CARDINGTON  
MORROW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 8 - RISK POOL MANAGEMENT:-** (continued)

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

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

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

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of-pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009, respectively. The Village participates in this coverage.

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

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

The Pool's audited financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009.

	<u>2010</u> <u>OPRM</u>	<u>2010</u> <u>OPHC</u>	<u>2010</u> <u>Total</u>	<u>2009</u> <u>Total</u>
Assets	\$ 12,036,541	\$ 1,355,131	\$ 13,391,672	\$ 12,534,988
Liabilities	<u>( 4,845,056)</u>	<u>( 1,055,096)</u>	<u>( 5,900,152)</u>	<u>( 6,106,102)</u>
<b>Member's Equity</b>	<u>\$ 7,191,485</u>	<u>\$ 300,035</u>	<u>\$ 7,491,520</u>	<u>\$ 6,428,886</u>

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

**VILLAGE OF CARDINGTON  
MORROW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 9 - CHANGE IN BASIS OF ACCOUNTING:-**

For the years ended December 31, 2010 and 2009, the Village changed its financial presentation from comparable requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* to the accounting practices the Auditor of State prescribes or permits. This change did not result in a restatement of the fund balances.

**NOTE 10 - RESTATEMENT:-**

A restatement of beginning fund balances as of January 1, 2009 was required to properly reclassify certain fund balances. The net effect of this reclassification was zero to the total fund balances. There were two funds as of December 31, 2008 reported as proprietary funds, which have been reclassified for the financial statements to a special revenue fund and a debt service fund.

		Total Governmental Funds		Total Proprietary Funds	
Original Fund Balances at December 31, 2008	\$	1,076,919	\$	866,241	
Reclassification		44,065		( 44,065)	
Restated Fund Balances at December 31, 2008	\$	<u>1,120,984</u>	\$	<u>822,176</u>	

**NOTE 11 - SUBSEQUENT EVENTS:-**

The Village evaluated subsequent events through September 15, 2011, the date which the financial statements were available to be issued.



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

Village Council  
Village of Cardington  
Morrow County

We have audited the financial statements of the Village of Cardington, Morrow County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated September 15, 2011, wherein we noted the Village had followed accounting practices the Auditor of State of Ohio prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting as item 2010-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We consider the following deficiencies described in the accompanying schedule of findings to be a material weakness in internal control over financial reporting as items 2010-002, 2010-003, and 2010-004.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated September 15, 2011.

### Compliance and Other Matters

As part of reasonably assuring whether the Government's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2010-005, 2010-006 and 2010-007.

We also noted certain noncompliance or other matters that we reported to the Government's management in a separate letter dated September 15, 2011.

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



Certified Public Accountants

September 15, 2011



VILLAGE OF CARDINGTON  
MORROW COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009

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

<b>Finding Number</b>	<b>2010-001</b>
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**Significant Deficiency – Internal Control and Review Procedures**

Although the Council Members receive and review a select number of reports from the Fiscal Officer of the Village for approval on a monthly basis, the Village has not established formal procedures to reasonably assure completeness and accuracy of the monthly reporting. During our testing and analysis, we noted that the Village Council is not reviewing the numerical check sequence prior to signing the checks. In addition, they are not reviewing the bank statement for proper inclusion of authorized expenditures within the cancelled checks or electronic fund withdraws. During our testing and analysis, we noted that management overrode controls by writing manual checks for a payroll and then cleared a direct deposit entry and never entered the manual checks into the system. This should have been reviewed and discussed by Council during their review of monthly reports and bank statements.

The Village should carefully review this information and make appropriate inquires to help determine the integrity of the financial information. When performing such review, the officials' signatures or initials and the date should be affixed to the documents examined and it should be noted in the monthly minutes that the officials' thoroughly reviewed and approved those documents. In addition, we also recommend that the numerical check sequence be noted in the minutes and signed off of by the Council each month.

**Officials' Response**

The Village's Fiscal Officer is now providing a list of checks monthly to the Council for their review and signatures.

<b>Finding Number</b>	<b>2010-002</b>
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**Material Weakness – Material Misclassifications within the Financial Statements**

During the audit, it was determined that various line item classifications were inappropriately stated, which resulted in material audit reclassifications within the financial statements. Inappropriate reporting of the classifications on the financial statement could result in appropriations exceeding estimated resources or actual expenditures exceeding appropriations.

We recommend that for future reporting, the Village obtain a more in depth understanding of the classifications with the new financial reporting model in order to properly report the financial statement amounts within the appropriate line item classifications within the funds on the financial statements.

**Officials' Response**

The Village's Fiscal Officer is working with the software provider to correct these issues.

VILLAGE OF CARDINGTON  
MORROW COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009

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

<b>Finding Number</b>	<b>2010-003</b>
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**Material Weakness- Preparation of Year-end Financial Statements**

During the audit, it was determined that the financial reporting model with the accounting software package was not properly recording the data entered on a daily basis into the year-end financial reports. A restatement from the prior year ending fund balance was made to properly reclassify the funds within the financial statements. As a result the total fund balances did not change, however, the reliability of the financial data and decisions made by Council throughout the year could be impacted due to the misclassification of the funds through the software.

In addition, within the current year, the financial reports were unable to properly be produced by the accounting software without additional technical support from the providers at year end.

The Village is responsible for continuously evaluating their recordkeeping and financial reporting tools in place and their suitability for the current operating, reporting, and compliance needs and objectives. The appropriate selection of an accounting system can affect an entity significantly and would have implications for the efficiency and effectiveness of its internal control systems, the integrity and reliability of the financial reporting, the ongoing operational monitoring capabilities, and regulatory compliance efforts.

We recommend that the Village periodically consider the advantages and disadvantages of various accounting system alternatives and reporting packages offered by the current accounting software provider. A well-designed package could improve significantly the controls over the Village's accounting and financial reporting activities. We suggest that the Village continue to evaluate its accounting systems for possible improvements in accounting, reporting, compliance, and internal control efficiency and effectiveness.

**Officials' Response**

The Village's Fiscal Officer is working with the software provider to correct these issues.

<b>Finding Number</b>	<b>2010-004</b>
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**Material Weakness- Posting Errors**

During revenue and expenditure testing, we noted instances of revenues and expenditures that were not recorded to the proper fund nor were they recorded in a timely manner. Also, several line items were not consistently classified from year to year.

The proper posting of revenues and expenditures are essential to ensure that funds are not over drawn and to ensure that the budget process is working properly and is a useful tool for management.

Procedures should be adopted to ensure that the Village posts revenues and expenditures timely and to the proper accounts during the year. We also recommend a more in depth review of the daily postings to help prevent some of these errors from occurring. The Village should verify that the report is mathematically accurate and it is in agreement with all of the Village's detail. The Village should better utilize handbooks to assist with the verification of proper account codes and classification in the preparation of the annual report and recording of daily activities.

**Officials' Response**

The Village's Fiscal Officer is working with the software provider to correct these issues.

**VILLAGE OF CARDINGTON  
MORROW COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2010-005</b>
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**Noncompliance Citation – Prior Certification of Expenditures**

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

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

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

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

**Officials’ Response**

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

<b>Finding Number</b>	<b>2010-006</b>
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**Noncompliance Citation – Expenditures Exceed Appropriations**

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

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

**Officials’ Response**

Amended and supplemented appropriations are now being filed in a timely manner and current 2011 appropriations are in balance.

**VILLAGE OF CARDINGTON  
MORROW COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

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

<b>Finding Number</b>	<b>2010-007</b>
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**Noncompliance Citation – Appropriations Exceeding Estimated Resources**

Ohio Revised Code, Section 5705.39, states that the total appropriation from each fund should not exceed the total estimated revenue as certified by the county budget commission. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The Village's appropriations exceeded estimated resources as of December 31, 2010 as outlined on page 11, respectively, in Note 3 of the financial statements.

We recommend the Village Council and Clerk periodically review the Village's appropriations versus certified estimated resources to identify and investigate any variances and to help monitor legal compliance. The Village officials should ensure that the Village has properly prepared and submitted all required budgetary documents to the county auditor. Also, each time appropriations are adopted or amended, the Village should ensure the certificate of the County Auditor is received indicating appropriations do not exceed certified resources.

**Officials' Response**

The Village is currently addressing the above issue and plans to improve its budgetary compliance processes.

**VILLAGE OF CARDINGTON**  
**MORROW COUNTY**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2008-001	Significant Deficiency - Internal Control and Review Procedures	No	Not Corrected. Reported as finding 2010-001.
2008-002	ORC 5705.41 (D) - Failure to properly use fiscal certificates	No	Not Corrected. Reported as finding 2010-005.
2008-003	Significant Deficiency/Material Weakness - Material Missclassifications within the Financial Statements	No	Not Corrected. Reported as finding 2010-002.
2008-004	Significant Deficiency/Material Weakness - Submission of Documentation for Third Party Billing of Fire Rescue Services	Yes	Finding No Longer Valid; Documentation for Third Party Billings are now being submitted.

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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  
JANUARY 19, 2012**