



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 of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Cardington, Morrow County, Ohio, (the Village) as of and for the year ended December 31, 2016.

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, 2016, or changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Cardington, Morrow County, Ohio, as of December 31, 2016, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2017, 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

April 28, 2017

**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, 2016**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 228,668	\$ 81,291	\$ -	\$ 309,959
Municipal Income Tax	817,243	-	-	817,243
Intergovernmental	29,581	148,661	-	178,242
Special Assessments	714	-	-	714
Charges for Services	-	123,001	13,083	136,084
Fines, Licenses and Permits	34,017	16,255	-	50,272
Earnings on Investments	3,289	2,230	148	5,667
Miscellaneous	51,541	4,618	-	56,159
<i>Total Cash Receipts</i>	<u>1,165,053</u>	<u>376,056</u>	<u>13,231</u>	<u>1,554,340</u>
Cash Disbursements				
Current:				
Security of Persons and Property	354,126	82,481	-	436,607
Public Health Services	1,453	-	-	1,453
Leisure Time Activities	-	7,533	-	7,533
Community Environment	2,195	-	-	2,195
Basic Utility Services	2,015	-	-	2,015
Transportation	-	265,571	-	265,571
General Government	443,174	2,554	-	445,728
Capital Outlay	-	261,436	-	261,436
Debt Service:				
Principal Retirement	-	45,783	-	45,783
Interest and Fiscal Charges	-	11,469	-	11,469
<i>Total Cash Disbursements</i>	<u>802,963</u>	<u>676,827</u>	<u>-</u>	<u>1,479,790</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>362,090</u>	<u>(300,771)</u>	<u>13,231</u>	<u>74,550</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	-	1,667	-	1,667
Transfers In	-	375,000	-	375,000
Transfers Out	(375,000)	-	-	(375,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(375,000)</u>	<u>376,667</u>	<u>-</u>	<u>1,667</u>
<i>Net Change in Fund Cash Balances</i>	<u>(12,910)</u>	<u>75,896</u>	<u>13,231</u>	<u>76,217</u>
<i>Fund Cash Balances, January 1</i>	<u>900,001</u>	<u>609,816</u>	<u>41,491</u>	<u>1,551,308</u>
Fund Cash Balances, December 31				
Restricted	-	685,712	54,722	740,434
Committed	770,811	-	-	770,811
Assigned	116,280	-	-	116,280
<i>Fund Cash Balances, December 31</i>	<u>\$ 887,091</u>	<u>\$ 685,712</u>	<u>\$ 54,722</u>	<u>\$ 1,627,525</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, 2016**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 1,339,784	\$ -	\$ 1,339,784
Miscellaneous	134,091	-	134,091
<i>Total Operating Cash Receipts</i>	<u>1,473,875</u>	<u>-</u>	<u>1,473,875</u>
Operating Cash Disbursements			
Personal Services	297,852	-	297,852
Employee Fringe Benefits	85,361	-	85,361
Contractual Services	201,404	-	201,404
Supplies and Materials	262,185	-	262,185
Other	3,192	-	3,192
<i>Total Operating Cash Disbursements</i>	<u>849,994</u>	<u>-</u>	<u>849,994</u>
<i>Operating Income (Loss)</i>	<u>623,881</u>	<u>-</u>	<u>623,881</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	296,194	-	296,194
Earnings on Investments (proprietary funds only)	7,901	-	7,901
Sale of Fixed Assets	3,334	-	3,334
Miscellaneous Receipts	16,085	-	16,085
Capital Outlay	(688,993)	-	(688,993)
Principal Retirement	(375,994)	-	(375,994)
Interest and Other Fiscal Charges	(53,933)	-	(53,933)
Other Financing Sources	-	36,046	36,046
Other Financing Uses	-	(34,624)	(34,624)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(795,406)</u>	<u>1,422</u>	<u>(793,984)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(171,525)</u>	<u>1,422</u>	<u>(170,103)</u>
<i>Fund Cash Balances, January 1</i>	<u>2,139,104</u>	<u>2,522</u>	<u>2,141,626</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,967,579</u>	<u>\$ 3,944</u>	<u>\$ 1,971,523</u>

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

VILLAGE OF CARDINGTON, OHIO
MORROW COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1 - Reporting Entity

The Village of Cardington (the Village), Morrow County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, police, fire services, as well as the operations of a Mayor's Court.

Jointly Governed Organizations

The Village participates in jointly governed organizations. These organizations include:

Jointly Governed Organizations:

Cardington-Lincoln Joint Recreation Board

Glendale Union Cemetery

See Note 12 for more information on these organizations.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund - The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 - The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Fire Prevention and 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 to residents of the Village and other contracted local governments.

VILLAGE OF CARDINGTON, OHIO
MORROW COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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 both Cardington and Lincoln Townships. It has been established to use as a savings tool for when a replacement fire truck needs to be acquired.

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 - The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

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.

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 had the following Agency fund:

Mayors Court - Receives payments for fines and court costs. These monies are distributed to the Village, Morrow County, and the State of Ohio.

Basis of Accounting

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.

Budgetary Process

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

VILLAGE OF CARDINGTON, OHIO
MORROW COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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 Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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.

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 re-appropriated.

A summary of 2016 budgetary activity appears in Note 3.

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. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

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.

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:

Non-spendable - The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

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

Committed - 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.

**VILLAGE OF CARDINGTON, OHIO
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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

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

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

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 is as follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,530,035	\$1,165,053	(\$364,982)
Special Revenue	840,152	752,723	(87,429)
Capital Projects	12,919	13,231	312
Enterprise	1,609,436	1,797,389	187,953
Total	\$3,992,542	\$3,728,396	(\$264,146)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,761,409	\$1,206,542	\$554,867
Special Revenue	995,479	726,726	268,753
Capital Projects	40,000	0	40,000
Enterprise	2,534,624	2,115,198	419,426
Total	\$5,331,512	\$4,048,466	\$1,283,046

VILLAGE OF CARDINGTON, OHIO
MORROW COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 4 – 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:

Demand Deposits	<u>3,596,882</u>
Total deposits	<u>3,596,882</u>
STAR Ohio	<u>2,166</u>
Total investments	<u>2,166</u>
Total deposits and investments	<u><u>\$3,599,048</u></u>

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 and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Taxes

Property Taxes

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.

Income Taxes

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 6 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material). The Village participates in the Industry Specific Safety Program (ISSP) through the Ohio Bureau of Workers Compensation. The intent of the ISSP is to educate its members about all aspects of safety. All requirements were met and the Village was awarded a rebate. The Village also participates in the Safety Council Program by being a member of the Marion Area Safety Council.

Commercial Insurance

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% 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 772 and 783 members as of December 31, 2015, 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, 2015 and 2014 (the latest information available):

	<u>2015</u>	<u>2014</u>
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members' Equity	<u>\$5,531,637</u>	<u>\$5,887,681</u>

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

**VILLAGE OF CARDINGTON, OHIO
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All employees belong to the Ohio Public Employees Retirement System (OPERS) apart from full time Police Officers, Volunteer Firefighters, and an appointed Council Member who elected Social Security in lieu of OPERS. OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2016.

Ohio Police and Fire Retirement System

All full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

Social Security

All Volunteer firefighters contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. In 2016, we had an appointed Council Member elect Social Security in lieu of OPERS.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

**VILLAGE OF CARDINGTON, OHIO
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Waterworks System (Berkadia) Revenue Bon	\$182,000	5%
OWDA Loan # 2192	\$136,975	3%
OWDA Loan # 3150	\$776,655	4%
OWDA Loan # 5203	\$250,904	0%
OWDA Loan # 6387	1,122,115	0%
Chase Equipment Finance	\$24,366	4.45%
Farmers Citizens Bank	\$202,405	4.25%
Total	\$2,695,420	

During 1980, the Village issued mortgage revenue bonds for the improvement of the municipal waterworks system. The bonds will be repaid in annual installments over 36 years. Water and sewer receipts collateralize the bonds. The Village has agreed to set utility rates sufficient to cover debt service requirements. As of December 31, 2016, the outstanding principal balance on this loan totaled to \$182,000.

The OWDA loans consist of money owed to the Ohio Water Development Authority (OWDA) for plant expansion and the water main replacement projects. OWDA loans are payable solely from the gross revenues of the water and sewer systems. As of December 31, 2016, the outstanding principal balance on these loans totaled to \$2,286,649.

During 2007, the Village entered a lease agreement with Chase Equipment Leasing. 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 as of December 31, 2016, reflects an outstanding principal balance totaling to \$24,366.

During 2009, the Village entered 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 as of December 31, 2016, reflects an outstanding principal balance totaling to \$202,405.

Amortization

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

Year ending		OWDA	Mortgage	Promissory
December 31:	Capital Leases	Loans	Revenue Bond	Note
2017	25,450	381,125	53,100	31,803
2018	0	244,100	51,900	31,803
2019	0	247,341	50,650	31,803
2020	0	250,791	49,350	31,803
2021	0	254,466	0	31,803
2022-2026	0	1,018,375	0	79,508
Total	\$25,450	\$2,396,198	\$205,000	\$238,523

VILLAGE OF CARDINGTON, OHIO
MORROW COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 10 – Construction and Contractual Commitments

In 2016, the Village completed the 1930 Waterline Replacement project, where a loan was to be taken out in the amount of \$102,095.00 from the Ohio Public Waterworks Commission (OPWC) in which the Village was going to pay the principal amount in full. As of December 31, 2016, per the OPWC, this loan is still pending. Once the loan is finalized and an invoice is received, the principal amount will be paid in full. There is a carryover purchase order reflecting this transaction.

In 2016, the Village completed the Gilead Street Sidewalk Project. The retainage amount on this project was still outstanding to the vendor, D.L. Smith Concrete, LLC as of December 31, 2016, in the amount of \$4,174.45. There is a carryover purchase order reflecting this transaction.

Note 11 – Contingent Liabilities

As of December 31, 2016, the Village is unaware of any outstanding litigation.

Note 12 – 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 Revised Code Sections 755.12 to 755.18. The Joint Recreation District consists of two (2) 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 ground 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.

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Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Cardington, Morrow County, Ohio, (the Village) as of and for the year ended December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated April 28, 2017, 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.

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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Village's Response to Finding

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

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

April 28, 2017

VILLAGE OF CARDINGTON
MORROW COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016

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

FINDING NUMBER 2016-001

**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.

Thirteen 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 \$300,000.

Below are descriptions of the types of adjustments and reclassifications that were deemed material and required posting to the Village's 2016 financial statements.

- Adjustment to move Cardington Youth Foundation Fund activity from the Enterprise fund type to the Special Revenue fund type.
- Adjustment to eliminate intra-fund transfer in the General Fund.
- Reclassification of OPWC grant receipts misposted as other financing sources.
- Reclassification of CDBG grant receipts misposted as other financing sources.
- Reclassification of Agency fund receipts/disbursements from operating to non-operating.
- Adjustment to move Third Street Storm Project Fund activity from the Special Revenue fund type to the Capital Projects fund type.
- Reclassification to properly report assigned and committed fund balance in the General Fund.
- Adjustment to move Unclaimed Monies fund from the Agency fund type to the General Fund.

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

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

Officials' Response:

Items listed above will be corrected in 2017. Proceeds from any future grant awards received from the state or county will be recorded as intergovernmental.

VILLAGE OF CARDINGTON
MORROW COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Financial Statement Presentation – Material Weakness	Not Corrected	Finding is being repeated in current audit as finding 2016-001 due to multiple financial statement adjustments required. Monthly reviews of all postings are now being completed by management.



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
MAY 30, 2017