



**Auditor of State  
Betty Montgomery**



**CARDINGTON COMMUNITY IMPROVEMENT CORPORATION  
MORROW COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Cardington Community Improvement Corporation  
Morrow County  
P.O. Box 31  
Cardington, Ohio 43315

To the Board of Trustees:

We have audited the accompanying statements of financial position of the Cardington Community Improvement Corporation, Morrow County, Ohio, (the Corporation) as of December 31, 2002, and December 31, 2001, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cardington Community Improvement Corporation, Morrow County, Ohio, as of December 31, 2002, and December 31, 2001, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2003, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "Betty Montgomery".

**Betty Montgomery  
Auditor of State**

August 29, 2003

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**CARDINGTON COMMUNITY IMPROVEMENT CORPORATION  
MORROW COUNTY**

**STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2002**

<b>Assets:</b>	
Cash	\$ 381,857
Loans Receivable	32,597
Fixed Assets (less accumulated depreciation)	<u>139,498</u>
Total Assets	<u><u>\$553,952</u></u>
<b>Liabilities and Net Assets:</b>	
Liabilities	-
Unrestricted Net Assets	<u>553,952</u>
Total Liabilities and Net Assets	<u><u>\$ 553,952</u></u>

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

**CARDINGTON COMMUNITY IMPROVEMENT CORPORATION  
MORROW COUNTY**

**STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2001**

<b>Assets:</b>	
Cash	\$ 400,795
Loans Receivable	7,597
Fixed Assets (less accumulated depreciation)	<u>131,870</u>
Total Assets	<u><u>\$540,262</u></u>
<b>Liabilities and Net Assets:</b>	
Liabilities	-
Unrestricted Net Assets	<u>540,262</u>
Total Liabilities and Net Assets	<u><u>\$ 540,262</u></u>

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



**CARDINGTON COMMUNITY IMPROVEMENT CORPORATION  
MORROW COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

<b>Revenue:</b>	
Rental Income	\$ 32,044
Loan Interest	202
Earnings on Investments	3,614
Membership Dues	<u>40</u>
Total Revenue	<u>35,900</u>
<b>Expenses:</b>	
General	16,354
Contracted Services	2,684
Depreciation	<u>3,172</u>
Total Expenses	<u>22,210</u>
Increase in Unrestricted Net Assets	13,690
Net Assets, Beginning of Year	<u>540,262</u>
Net Assets, End of Year	<u><u>\$ 553,952</u></u>

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

**CARDINGTON COMMUNITY IMPROVEMENT CORPORATION  
MORROW COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

<b>Revenue:</b>	
Rental Income	\$ 34,957
Loan Interest	709
Earnings on Investments	9,791
Membership Dues	<u>45</u>
Total Revenue	<u>45,502</u>
<b>Expenses:</b>	
General	10,283
Contracted Services	5,038
Depreciation	<u>2,789</u>
Total Expenses	<u>18,110</u>
Increase in Unrestricted Net Assets	27,392
Net Assets, Beginning of Year	<u>512,870</u>
Net Assets, End of Year	<u><u>\$ 540,262</u></u>

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

**CARDINGTON COMMUNITY IMPROVEMENT CORPORATION  
MORROW COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 13,690
Adjustments to reconcile increase in net assets to net cash used by operating activities:	
Depreciation	3,172
Increase in loans receivable	<u>(25,000)</u>
NET CASH USED BY OPERATING ACTIVITIES	(8,138)
CASH FLOWS FROM INVESTING ACTIVITIES	
Building improvements	<u>(10,800)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(10,800)</u>
NET DECREASE IN CASH	(18,938)
CASH, BEGINNING OF YEAR	<u>400,795</u>
CASH, END OF YEAR	<u><u>\$ 381,857</u></u>

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

**CARDINGTON COMMUNITY IMPROVEMENT CORPORATION  
MORROW COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2001**

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 27,392
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	2,789
Decrease in loans receivable	<u>28,473</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	58,654
CASH FLOWS FROM INVESTING ACTIVITIES	
Building improvements	<u>(12,225)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(12,225)</u>
NET INCREASE IN CASH	46,429
CASH, BEGINNING OF YEAR	<u>354,366</u>
CASH, END OF YEAR	<u><u>\$ 400,795</u></u>

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

**CARDINGTON COMMUNITY IMPROVEMENT CORPORATION  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Cardington Community Improvement Corporation (the Corporation), was incorporated in 1964. The Corporation is a nonprofit entity which was formed for the purpose of advancing, encouraging, and promoting the industrial, economic, commercial, and civic development of the Village of Cardington, Ohio, and the surrounding area.

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

**B. Basis of Accounting**

The financial statements of the Corporation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**C. Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2002, net assets are unrestricted.

**D. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**E. Property**

Acquisitions of property in excess of \$500 are capitalized. Land, buildings, and improvements are carried at cost. Depreciation is computed using the straight-line method over a useful life of 50 years for buildings and 30 years for improvements.

**F. Income Taxes**

The Corporation is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and Chapters 1702 and 1724 of the Ohio Revised Code.

**CARDINGTON COMMUNITY IMPROVEMENT CORPORATION  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**2. FIXED ASSETS**

A summary of fixed assets at December 31 follows:

	<u>2002</u>	<u>2001</u>
Land and buildings/improvements	\$ 185,525	\$ 174,725
Less: accumulated depreciation	(46,027)	(42,855)
Net fixed assets	<u>\$ 139,498</u>	<u>\$ 131,870</u>

**3. FAIR VALUE OF LOANS RECEIVABLE**

The Corporation believes that the fair value of its loans receivable approximates their carrying value.

**4. RISK MANAGEMENT**

**Commercial Insurance**

The Corporation has obtained comprehensive property and general liability insurance through a private carrier.



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Cardington Community Improvement Corporation  
Morrow County  
P.O. Box 31  
Cardington, Ohio 43315

To the Board of Trustees:

We have audited the accompanying financial statements of the Cardington Community Improvement Corporation, Morrow County, Ohio, (the Corporation) as of and for the years ended December 31, 2002, and December 31, 2001, and have issued our report thereon dated August 29, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 through 2002-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Corporation in a separate letter dated August 29, 2003.

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

In planning and performing our audit, we considered Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Corporation's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-004 and 2002-005.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider items 2002-004 and 2002-005 to be material weaknesses. We also noted matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Corporation in a separate letter dated August 29, 2003.

This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
**Auditor of State**

August 29, 2003



**CARDINGTON COMMUNITY IMPROVEMENT CORPORATION  
MORROW COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001**

<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>2002-001</b>
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**Finding Repaid Under Audit**

On November 7, 2001, Danny Robinson, the Corporation Treasurer, issued payment in the amount of \$9,700 to a roofing vendor for roof replacement of the Corporation's rental property. \$4,400 of that payment, however, was used to pay the vendor for roofing work performed on the personal business of the Treasurer.

On September 4, 2002, the Treasurer issued a check for \$5,374.96 to a local sporting goods vendor for the purchase of equipment for a local baseball organization with which the Treasurer was affiliated.

On February 4, 2003, the Treasurer made an electronic funds transfer of \$3,587.02 from the Corporation's bank account to an account from which he used the monies for personal purposes.

On September 19, 2003, Mr. Robinson repaid to the Corporation the \$13,361.98.

<b>Finding Number</b>	<b>2002-002</b>
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**Finding Repaid Under Audit**

The Corporation Treasurer, Danny Robinson, deposited the November 2002 rental receipt of \$2,913.09 from T.R. Residential Care Facilities, Inc., the management company of rental property owned by the Corporation, into the bank account of his personal business. Ohio Rev. Code Section 9.39 states all "public officials are liable for all public money received or collected by them... under color of office."

On September 19, 2003, Mr. Robinson repaid to the Corporation the \$2,913.09.

<b>Finding Number</b>	<b>2002-003</b>
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**Federal Tax Reporting**

26 C.F.R. Section 1.6041-1 requires all payments to independent contractors aggregating \$600 or more to be reported on Form 1099.

The Corporation paid an independent contractor \$16,625 for roofing work in 2001 and \$10,800 for siding work in 2002, but did not issue a Form 1099 for either year. We recommend the Corporation issue a Form 1099 to all independent contractors for services exceeding \$600. If this matter is not corrected prior to the next audit, it will be referred to the Internal Revenue Service.

**CARDINGTON COMMUNITY IMPROVEMENT CORPORATION  
MORROW COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

<b>FINDING NUMBER</b>	<b>2002-004</b>
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**Supporting Documentation for Expenditures**

The Corporation should maintain supporting documentation for all transactions executed. Original supporting invoices were not maintained for expenditures during 2001 or 2002. Failure to maintain sufficient documentation could lead to the occurrence of unauthorized expenditures as described in finding 2002-001.

We recommend that the Corporation maintain all original documentation to support each transaction executed by the Corporation.

<b>FINDING NUMBER</b>	<b>2002-005</b>
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**Board Monitoring**

Monitoring controls comprise regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as financial control objectives. Monitoring controls generally are concerned with users' analysis of financial reports. Such data may indirectly provide assurance as to the reliability of financial reporting information if it conforms with the users' expectations. The lack of legislative monitoring of the Corporation's financial activity led to misappropriation of the Corporation's assets, as described in finding 2002-001 and 2002-002.

During 2001 and 2002, the Board received notification of the monthly bank account balances; however, it did not receive and review periodic reports summarizing receipt and expenditure activity.

We recommend the Board periodically review monthly financial reports detailing the amounts and descriptions of all receipt and expenditure transactions. In addition, we recommend the Board adopt a policy whereby all Corporation checks require the signature of the Board President in addition to the Treasurer. Also, the bank reconciliations, including supporting documentation such as bank statements, outstanding check lists, and documentation supporting any other reconciling items, should be reviewed by the Board.



**Auditor of State  
Betty Montgomery**

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**CARDINGTON COMMUNITY IMPROVEMENT CORPORATION**

**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  
OCTOBER 16, 2003**