
**CARDINGTON TOWNSHIP
MORROW COUNTY**

REGULAR AUDIT

YEARS ENDED DECEMBER 31, 2004 & 2003

Whited Seigneur Sams & Rabe, LLP

CERTIFIED PUBLIC ACCOUNTANTS

**** WSSR ****

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**Auditor of State
Betty Montgomery**

Board of Trustees
Cardington Township

We have reviewed the *Report of Independent Auditor* of Cardington Township, Morrow County, prepared by Whited Seigneur Sams & Rahe, LLP for the audit period January 1, 2003 through December 31, 2004. 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's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Auditor* on your financial statements. While the AOS 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 *Report of Independent Auditor* also includes an opinion on the financial statements using the regulatory format the AOS 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. Cardington Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

June 27, 2005

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**CARDINGTON TOWNSHIP
MORROW COUNTY, OHIO**

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June 9, 2005

Board of Trustees
Cardington Township, Morrow County
2500 Township Road 143
Cardington, Ohio 43315

Report of Independent Auditor

We have audited the accompanying financial statements of Cardington Township, Morrow County, Ohio (the Township) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Township'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 described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004 and 2003, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Cardington Township, Morrow County as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 9, 2005, on our consideration of the Township'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 testing of internal controls over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of audits performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audits.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

**CARDINGTON TOWNSHIP
MORROW COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Memorandum Only Total</u>
CASH RECEIPTS				
Local Taxes	\$ 25,268	\$ 206,142	\$ 0	\$ 231,410
Intergovernmental	35,308	96,730	98,154	230,192
Licenses, Permits and Fees	1,581	0	0	1,581
Earnings on Investments	1,252	430	0	1,682
Other Revenue	<u>617</u>	<u>0</u>	<u>0</u>	<u>617</u>
TOTAL CASH RECEIPTS	64,026	303,302	98,154	465,482
CASH DISBURSEMENTS				
Current:				
General Government	38,314	106,177	0	144,491
Public Safety	2,122	54,489	0	56,611
Public Works	3,000	139,488	98,154	240,642
Capital Outlay	<u>23,943</u>	<u>53,291</u>	<u>0</u>	<u>77,234</u>
TOTAL CASH DISBURSEMENTS	<u>67,379</u>	<u>353,445</u>	<u>98,154</u>	<u>518,978</u>
TOTAL RECEIPTS OVER/ (UNDER) DISBURSEMENTS	(3,353)	(50,143)	0	(53,496)
Fund Cash Balances, January 1, 2004	<u>88,866</u>	<u>162,985</u>	<u>0</u>	<u>251,851</u>
Fund Cash Balances, December 31, 2004	<u>\$ 85,513</u>	<u>\$ 112,842</u>	<u>\$ 0</u>	<u>\$ 198,355</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**CARDINGTON TOWNSHIP
MORROW COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

			<u>Memorandum Only</u>
CASH RECEIPTS	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Local Taxes	\$ 21,809	\$ 99,338	\$ 121,147
Intergovernmental	20,850	80,380	101,230
Licenses, Permits and Fees	2,176	0	2,176
Earnings on Investments	1,431	460	1,891
Other Revenue	<u>738</u>	<u>0</u>	<u>738</u>
TOTAL CASH RECEIPTS	47,004	180,178	227,182
CASH DISBURSEMENTS			
Current:			
General Government	36,132	3,033	39,165
Public Safety	1,674	48,874	50,548
Public Works	15,487	117,121	132,608
Health	395	4,861	5,256
Capital Outlay	<u>382</u>	<u>0</u>	<u>382</u>
TOTAL CASH DISBURSEMENTS	<u>54,070</u>	<u>173,889</u>	<u>227,959</u>
TOTAL RECEIPTS OVER/ (UNDER) DISBURSEMENTS	(7,066)	6,289	(777)
Fund Cash Balances, January 1, 2003	<u>95,932</u>	<u>156,696</u>	<u>252,628</u>
Fund Cash Balances, December 31, 2003	<u>\$ 88,866</u>	<u>\$ 162,985</u>	<u>\$ 251,851</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**CARDINGTON TOWNSHIP
MORROW COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- **Description of the Entity**

Cardington Township, Morrow County, Ohio (the Township) 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 Township is directed by a publicly elected three-member Board of Trustees. The Township provides general governmental services including road and bridge maintenance and fire protection.

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

- **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.

- **Cash and Investments**

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

- **Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township 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 to be accounted for in another fund.
- **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 Township had the following significant Special Revenue Funds:

Road District Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

Fire Fund - This fund receives levied monies for the purpose of fire protection.

**CARDINGTON TOWNSHIP
MORROW COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Capital Project Fund** - This fund is 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 Township had the following significant Capital Project Fund:

Issue II Fund - The Township received grants from the State of Ohio to resurface roads in 2004.

- **Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

- **Appropriations** - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year-end.
- **Estimated Resources** - Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.
- **Encumbrances** - The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are cancelled and re-appropriated in the subsequent year.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

- **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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2004</u>	<u>2003</u>
Demand deposits	\$ 117,828	\$ 172,342
Total Deposits	117,828	172,342
 STAR Ohio	 <u>80,527</u>	 <u>79,509</u>
Total Deposits and Investments	<u>\$ 198,355</u>	<u>\$ 251,851</u>

**CARDINGTON TOWNSHIP
MORROW COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits

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

Investments

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and December 31, 2003, were as follows:

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 45,000	\$ 64,026	\$ 19,026
Special Revenue	248,910	303,302	54,392
Capital Projects	<u>0</u>	<u>98,154</u>	<u>98,154</u>
Total	<u>\$ 293,910</u>	<u>\$ 465,482</u>	<u>\$ 171,572</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 101,400	\$ 67,379	\$ 34,021
Special Revenue	0	98,154	(98,154)
Capital Projects	<u>417,260</u>	<u>353,445</u>	<u>63,815</u>
Total	<u>\$ 518,660</u>	<u>\$ 518,978</u>	<u>\$ (318)</u>

2003 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 39,000	\$ 47,004	\$ 8,004
Special Revenue	<u>152,410</u>	<u>180,178</u>	<u>27,768</u>
Total	<u>\$ 191,410</u>	<u>\$ 227,182</u>	<u>\$ 35,772</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 112,800	\$ 54,070	\$ 58,730
Special Revenue	<u>279,500</u>	<u>173,889</u>	<u>105,611</u>
Total	<u>\$ 392,300</u>	<u>\$ 227,959</u>	<u>\$ 164,341</u>

**CARDINGTON TOWNSHIP
MORROW COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board 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 Township.

5. RETIREMENT SYSTEMS

All employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

6. RISK MANAGEMENT

The Township has obtained insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and Omissions

The Township also provides health insurance coverage to employees through a private carrier and reimburses officials for payments of health insurance premiums.

Whited Seigneur Sams & Rahe LLP

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June 9, 2005

Cardington Township
Morrow County
2500 Township Road 143
Cardington, Ohio 43315

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

We have audited the accompanying financial statements of Cardington Township, Morrow County, Ohio (the Township) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated June 9, 2005, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Township'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we 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 Township in a separate letter dated June 9, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township'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 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 2004-001, 2004-002 and 2004-003. Also, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 9, 2005.

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

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

**CARDINGTON TOWNSHIP
MORROW COUNTY, OHIO
SCHEDULE OF AUDIT FINDINGS**

Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

Finding Number 2004-001

Ohio Rev. Code, Section 5549.21 provides that competitive bidding is required for purchase of materials, machinery and tools to be used in constructing, maintaining and repairing roads and culverts, where the amount involved exceeds \$25,000. In each case, the board must advertise once, not later than two weeks prior to the letting of the contract to purchase, in a newspaper published in the county and of general circulation in the township. Award must be to the lowest possible bidder.

In 2004, the Township paid for a tractor (\$32,033) and a mower (\$33,345) to maintain and repair roads and perform other tasks without competitive bidding. We recommend that the Trustees properly bid applicable contracts and large purchases so that the Township can take advantage of the lowest and best bids.

Finding Number 2004-002

Ohio Rev. Code, Section 5705.39 states that appropriations from each fund shall not exceed total estimated revenue. 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.

In 2004, the Township Trustees increased estimates and appropriations in the Cemetery Fund as evidenced per the minutes but these increases were not filed with the County Auditor through an amended certificate of estimated resources. Consequently, appropriations exceeded estimated and actual resources in the Cemetery Fund in 2004.

Finding Number 2004-003

Ohio Rev. Code Section 5705.41(B) states that expenditures should not exceed appropriations. In 2004, expenditures exceeded appropriations in the Capital Projects Issue II funds. This was due mostly to the Township not following the accounting guidelines for Issue II projects as outlined in Auditor of State Bulletin 2002-004. Issue II monies received and spent on behalf of the Township were not posted to the general ledger in 2004. These transactions were not posted and, consequently, were not estimated and appropriated by resolution causing the expenditures to exceed appropriations.

**CARDINGTON TOWNSHIP
MORROW COUNTY, OHIO
STATUS OF PRIOR AUDIT FINDINGS**

There were no prior audit findings.



**Auditor of State
Betty Montgomery**

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CARDINGTON TOWNSHIP

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
JULY 12, 2005**