

**VILLAGE OF CARDINGTON
MORROW COUNTY, OHIO**

*Financial Statements
(Audited)*

For The Year Ended
December 31, 2001

BELVA DEAN BOWERS, CLERK/TREASURER



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
Columbus, Ohio 43215

Telephone 614-466-4514
800-282-0370

Facsimile 614-728-7398
www.auditor.state.oh.us

Members of Council and Mayor
Village of Cardington
215 Park Avenue
P.O. Box 10
Cardington, OH 43315

We have reviewed the Independent Auditor's Report of the Village of Cardington, Morrow County, prepared by Trimble, Julian & Grube, Inc., for the audit period January 1, 2001 through December 31, 2001. 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.

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, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

July 8, 2002

This Page is Intentionally Left Blank.

**VILLAGE OF CARDINGTON
MORROW COUNTY, OHIO**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1
Combined Statement of Cash Fund Balances - All Fund Types December 31, 2001	2
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balances - All Governmental Fund Types and Similar Fiduciary Fund Type - For The Year Ended December 31, 2001	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balances - Proprietary Fund Type and Similar Fiduciary Fund Type - For The Year Ended December 31, 2001	4
Combined Statement of Cash Receipts, Cash Disbursements, and Encumbrances Compared with Expenditure Authority - Budget and Actual For The Year Ended December 31, 2001	5
Notes to the Financial Statements	6 - 16
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	17 - 18
Schedule of Findings	19 - 21
Status of Prior Audit Findings	22

This Page is Intentionally Left Blank.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

Independent Auditor's Report

Members of Council and Mayor
Village of Cardington
215 Park Avenue
P.O. Box 10
Cardington, Ohio 43315

We have audited the accompanying financial statements of the Village of Cardington, Morrow County, Ohio, as of and for the year ended December 31, 2001. These financial statements are the responsibility of the Village of Cardington'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.

As discussed in Note 2, the Village of Cardington prepares its financial statements on the basis of accounting prescribed or permitted by Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances and fund balances of the Village of Cardington, as of December 31, 2001, and its combined cash receipts and disbursements, combined budgeted and actual receipts and budgeted and actual disbursements for the year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 25, 2002, on our consideration of the Village of Cardington'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.

This report is intended solely for the information and use of the officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.
April 25, 2002

**VILLAGE OF CARDINGTON
MORROW COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND
BALANCES - ALL FUND TYPES
DECEMBER 31, 2001

<u>Cash and Investments</u>	<u>2001</u>
Cash and Cash Equivalents	\$ 1,153,098
Investments	<u>4,325</u>
Total Cash and Investments	<u><u>\$ 1,157,423</u></u>
 <u>Fund Balances</u>	
<u>Governmental Fund Types:</u>	
General Fund	\$ 89,643
Special Revenue Funds	228,580
Debt Service Funds	<u>2,162</u>
Total Governmental Fund Types	<u><u>320,385</u></u>
 <u>Proprietary Fund Type:</u>	
Enterprise Funds	<u>199,986</u>
 <u>Fiduciary Fund Types:</u>	
Expendable Trust Fund	636,806
Agency Fund	<u>246</u>
Total Fiduciary Fund Types	<u><u>637,052</u></u>
Total Fund Balances	<u><u>\$ 1,157,423</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF CARDINGTON
MORROW COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL
FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Expendable Trust	
Cash receipts:					
Local taxes	\$ 176,858	\$ 32,129	\$ 38,144	\$ 602,232	\$ 849,363
Intergovernmental	77,852	65,565	-	-	143,417
Charges for services	147	68,920	-	-	69,067
Fines, licenses, and permits	12,013	-	-	-	12,013
Interest	14,050	8,963	-	17,976	40,989
Miscellaneous	1,298	664	-	-	1,962
Total cash receipts	<u>282,218</u>	<u>176,241</u>	<u>38,144</u>	<u>620,208</u>	<u>1,116,811</u>
Cash disbursements:					
Current:					
Security of persons and property	190,395	154,810	-	-	345,205
Public health services	1,062	-	-	-	1,062
Leisure time activities	1,035	-	-	-	1,035
Community environment	7,885	-	-	-	7,885
Transportation	54,873	123,151	-	-	178,024
General government	217,291	625	-	90,738	308,654
Capital outlay	10,532	32,610	-	386	43,528
Debt service					
Principal retirement	-	-	22,755	-	22,755
Interest & fiscal charges	-	-	15,389	-	15,389
Total cash disbursements	<u>483,073</u>	<u>311,196</u>	<u>38,144</u>	<u>91,124</u>	<u>923,537</u>
Total cash receipts over/(under) cash disbursements	<u>(200,855)</u>	<u>(134,955)</u>	<u>-</u>	<u>529,084</u>	<u>193,274</u>
Other financing sources/(uses):					
Proceeds of bonds	-	-	292,190	-	292,190
Operating transfers in	191,037	105,229	-	-	296,266
Operating transfers out	(30,229)	-	-	(316,037)	(346,266)
Reimbursements	59,358	23,326	-	58	82,742
Passthrough payments to Recreation District	-	-	(292,190)	-	(292,190)
Other uses	(1,729)	-	-	(291)	(2,020)
Total other financing sources/(uses)	<u>218,437</u>	<u>128,555</u>	<u>-</u>	<u>(316,270)</u>	<u>30,722</u>
Excess of cash receipts and other financing sources over cash disbursements and other financing (uses)	17,582	(6,400)	-	212,814	223,996
Cash fund balances, January 1, 2001	<u>72,061</u>	<u>234,980</u>	<u>2,162</u>	<u>423,992</u>	<u>733,195</u>
Cash fund balances, December 31, 2001	<u>\$ 89,643</u>	<u>\$ 228,580</u>	<u>\$ 2,162</u>	<u>\$ 636,806</u>	<u>\$ 957,191</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF CARDINGTON
MORROW COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH FUND BALANCES - PROPRIETARY
FUND TYPE AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Charges for services	\$ 606,434	\$ -	\$ 606,434
Other miscellaneous	15,622	-	15,622
Total operating cash receipts	<u>622,056</u>	<u>-</u>	<u>622,056</u>
Operating cash disbursements:			
Personal services	210,152	-	210,152
Contractual services	122,363	-	122,363
Supplies and material	100,264	-	100,264
Capital outlay	101,248	-	101,248
Total operating cash disbursements	<u>534,027</u>	<u>-</u>	<u>534,027</u>
Operating income	<u>88,029</u>	<u>-</u>	<u>88,029</u>
Nonoperating cash receipts/(disbursements):			
Intergovernmental revenues	69,254	-	69,254
Interest	19,455	-	19,455
Fines collected	-	10,067	10,067
Debt service:			
Principal	(165,719)	-	(165,719)
Interest	(257,876)	-	(257,876)
Fines disbursed	-	(12,280)	(12,280)
Total nonoperating cash receipts/(disbursements)	<u>(334,886)</u>	<u>(2,213)</u>	<u>(337,099)</u>
(Loss) before operating transfers	(246,857)	(2,213)	(249,070)
Transfers in	100,000	-	100,000
Transfers out	<u>(50,000)</u>	<u>-</u>	<u>(50,000)</u>
Net (loss)	(196,857)	(2,213)	(199,070)
Cash fund balances, January 1, 2001	<u>396,843</u>	<u>2,459</u>	<u>399,302</u>
Cash fund balances, December 31, 2001	<u>\$ 199,986</u>	<u>\$ 246</u>	<u>\$ 200,232</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF CARDINGTON
MORROW COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2001

Fund Types	Receipts				Disbursements						Variance Favorable (Unfavorable)	
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2001 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2001 Appropriations	Total	Actual 2001 Disbursements	Encumbrances Outstanding at 12/31/01		Total
Governmental:												
General	\$ 47,289	\$ 718,350	\$ 765,639	\$ 532,613	\$ (185,737)	\$ -	\$ 579,376	\$ 579,376	\$ 515,031	\$ -	\$ 515,031	\$ 64,345
Special Revenue	234,978	603,822	838,800	304,796	(299,026)	-	309,254	309,254	311,196	-	311,196	(1,942)
Debt service	2,162	359,326	361,488	330,334	(28,992)	-	359,326	359,326	330,334	-	330,334	28,992
Proprietary:												
Enterprise	421,119	1,041,000	1,462,119	810,765	(230,235)	-	1,345,840	1,345,840	1,007,622	-	1,007,622	338,218
Fiduciary:												
Expendable Trust	423,992	371,000	794,992	620,266	249,266	-	384,385	384,385	407,452	-	407,452	(23,067)
Total (Memorandum Only)	\$ 1,129,540	\$ 3,093,498	\$ 4,223,038	\$ 2,598,774	\$ (494,724)	\$ -	\$ 2,978,181	\$ 2,978,181	\$ 2,571,635	\$ -	\$ 2,571,635	\$ 406,546

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF CARDINGTON
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 1 - DESCRIPTION OF THE ENTITY

The Village of Cardington (the "Village") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Village operates under a council-mayor form of government and provides the following services: police protection, water, sewer, street maintenance and repair, mayor's court, as well as other general government services.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village officials have direct operating control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant of the Village's accounting policies are described below.

A. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the Village are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Village.

GOVERNMENTAL FUNDS

General Fund

The general fund is used to account for all activities of the Village not required to be included 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 are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes.

**VILLAGE OF CARDINGTON
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Fire Fund - This fund receives monies from a special levy for the protection of the Village's residents.

Debt Service Fund

This fund is used to accumulate resources for the payment of indebtedness.

Debt Service - This fund accumulates resources for the payment of bond and note debt.

Enterprise Funds

These funds 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.

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

Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

**VILLAGE OF CARDINGTON
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Income Tax Fund - This fund receives monies from collections on the Village's one percent income tax imposed. Funds collected are used in both general operations of the Village and for capital expenditures and maintenance and repairs as required. This is an expendable trust fund in the Village's financial statements.

Mayor's Court - This fund receives monies from collections on fines imposed from tickets issued by the Village's police protection force. Funds are collected in part on behalf of the State of Ohio. In addition, funds are used for safety programs, computerization, and general Village operations. This is categorized as an agency fund on the Village's financial statements.

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. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds are legally required to be budgeted and appropriated. The primary level of budgetary control is at the item level within each fund. Any budgetary modifications at this level may only be made by resolution of the Village's Council.

**VILLAGE OF CARDINGTON
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Tax Budget:

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds (except certain agency funds) are legally required to be budgeted. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determines that receipts collected will be greater than or less than the prior estimates, and the Budget Commission finds the revised estimates to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

**VILLAGE OF CARDINGTON
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. There were no outstanding encumbrances at December 31, 2001.

D. CASH AND CASH EQUIVALENTS

For reporting purposes, the Village considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Village with a maturity date less than or equal to three months from the date of purchase. Interest income earned and received by the Village totaled \$60,444 for the year ended December 31, 2001.

E. PROPERTY, PLANT, AND EQUIPMENT

Fixed assets are not capitalized in any of the Village's funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.

F. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis, are recorded when received in accordance with the Village's method of accounting.

G. UNPAID VACATION AND SICK LEAVE

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Village.

**VILLAGE OF CARDINGTON
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. INTERFUND TRANSACTIONS

During the course of normal operations, the Village had transactions between funds. The most significant include:

Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers.

All transfers in/out were in compliance with the Ohio Revised Code.

I. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned “Total (Memorandum Only)” to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 3 - COMPLIANCE

The following funds had expenditures in excess of appropriations for the year ended December 31, 2001, in noncompliance with Ohio Revised Code Section 5705.41(B):

<u>Fund Type/Fund/Activity/Item</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>GENERAL FUND:</u>			
Law Enforcement -			
Salaries	\$140,825	\$142,910	\$ 2,085
Capital Outlay	4,000	4,016	16
Street Lighting			
Contractual Services	700	1,062	362
Leisure Time Activities			
Contractual Services	0	1,035	1,035
Community Planning and Zoning			
Operations and Maintenance			
Mayor and Administrative Office			
Salaries	11,830	13,702	1,872
Legislative Activities			
Contractual Services	81,660	95,110	13,450
Clerk/Treasurer			
Operations & Maintenance	10,160	10,573	413

**VILLAGE OF CARDINGTON
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 3 - COMPLIANCE - (Continued)

<u>Fund Type/Fund/Activity/Item</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>SPECIAL REVENUE FUND TYPES:</u>			
Street Construction, Maintenance and Repair Contractual Services	\$ 50	\$ 5,437	\$ 5,387
Fire Fund			
Salaries	15,980	27,089	11,109
Capital Outlay	14,000	14,143	143
<u>ENTERPRISE FUND TYPE:</u>			
Sewer Fund			
Salaries	98,879	118,570	19,691
Other	0	50,000	50,000
<u>EXPENDABLE TRUST FUND TYPE:</u>			
Income Tax			
Contractual Services	0	446	446
Supplies and Materials	0	89,983	89,983
Capital Outlay	0	386	386

NOTE 4 - CASH AND INVESTMENTS

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

	<u>2001</u>
Deposits	\$1,153,098
Investments: STAR Ohio	<u>4,325</u>
Total deposits and investments	<u><u>\$1,157,423</u></u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

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

**VILLAGE OF CARDINGTON
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 5 - DEBT OBLIGATIONS

At December 31, 2001, debt obligations consisted of the following issuances:

<u>Description</u>	<u>Balance at December 31, 2001</u>
2001 Swimming Pool Bonds for the Cardington Recreation District, due in semi-annual installments of \$19,072 through 2010 at a rate of 5.37%.	\$ 269,435
1978 Ohio Water Development Authority Plant Expansion Loan, due in semiannual payments of \$5,272 through 2013 at a rate of 5.25%.	92,228
1991 GMAC Water Improvement Loan, due in annual installments of varying amounts through 2020 at a rate of 5%.	626,000
1977 GMAC Sewer Improvement Loan, due in annual installments of varying amounts through 2012 at a rate of 5%.	310,000
1996 Ohio Water Development Authority Water Plant Loan, due in semiannual installments of \$86,305 through 2022 at a rate of 6.49%.	1,926,445
1996 Ohio Water Development Authority Sewer Plant Loan, due in semiannual installments of \$76,346 through 2017 at a rate of 4.16%.	<u>1,771,024</u>
Total debt obligations at December 31, 2001	<u><u>\$4,995,132</u></u>

Transactions for the year ended December 31, 2001, are summarized as follows:

	<u>Balance at December 31, 2000</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance at December 31, 2001</u>
1978 OWDA Loan	\$ 97,646	\$ -	\$ 5,418	\$ 92,228
1991 GMAC Loan	645,000	-	19,000	626,000
1977 GMAC Loan	330,000	-	20,000	310,000
1996 OWDA Loan-Water	1,971,129	-	44,684	1,926,445
1996 OWDA Loan-Sewer	1,847,641	-	76,617	1,771,024
2001 Summary Pool Bonds	<u>0</u>	<u>292,190</u>	<u>22,755</u>	<u>269,435</u>
Total Debt Obligations	<u><u>\$4,891,416</u></u>	<u><u>\$292,190</u></u>	<u><u>\$188,474</u></u>	<u><u>\$4,995,132</u></u>

**VILLAGE OF CARDINGTON
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 5 - DEBT OBLIGATIONS - (Continued)

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. Payments of principal and interest relating to this debt is 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 tax receipts in the debt service fund.

The principal and interest requirement to retire the debt obligation outstanding at December 31, 2001, is as follows:

	1978 Plant Expansion Loan		1991 Water Loan		1977 Sewer Loan		1996 Water Plant Loan	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2002	\$ 5,702	\$ 4,842	\$ 20,000	\$ 31,300	\$ 22,000	\$ 15,500	\$ 47,584	\$ 125,026
2003	6,002	4,542	22,000	30,300	22,000	14,400	50,672	121,938
2004	6,316	4,228	23,000	29,200	24,000	13,300	53,960	118,650
2005	6,648	3,486	24,000	28,050	26,000	12,100	57,462	115,148
2006	6,998	3,546	25,000	26,850	26,000	10,800	61,491	113,418
Subsequent	<u>60,562</u>	<u>13,204</u>	<u>512,000</u>	<u>211,400</u>	<u>190,000</u>	<u>34,300</u>	<u>1,655,276</u>	<u>1,654,570</u>
Total	<u>\$92,228</u>	<u>\$33,848</u>	<u>\$626,000</u>	<u>\$357,100</u>	<u>\$310,000</u>	<u>\$100,400</u>	<u>\$1,926,445</u>	<u>\$2,248,750</u>

	1996 Sewer Plant Loan		2001 Swimming Pool Bonds		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2002	\$ 79,838	\$ 72,854	\$ 23,994	\$14,150	\$ 199,118	\$ 263,670
2003	83,194	69,498	25,299	12,845	209,167	253,521
2004	86,692	66,000	26,676	11,468	220,644	242,846
2005	90,336	62,356	28,128	10,017	232,574	231,157
2006	94,133	58,559	29,659	8,485	243,281	221,658
Subsequent	<u>1,336,831</u>	<u>342,771</u>	<u>135,679</u>	<u>16,899</u>	<u>3,890,348</u>	<u>2,273,148</u>
Total	<u>\$1,771,024</u>	<u>\$672,038</u>	<u>\$269,435</u>	<u>\$73,864</u>	<u>\$4,995,132</u>	<u>\$3,486,000</u>

**VILLAGE OF CARDINGTON
MORROW COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 6 - PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Village. 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 annually. However, if the property owner elects, he/she may make semiannual payments.

Public utilities are also taxed on personal and real property located within the Village.

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 7 - LOCAL INCOME TAX

This locally levied tax of one percent applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the Village and to earnings of nonresidents (except certain transients) earned in the Village. It also applies to the net income of business organizations located within the Village. Tax receipts are credited to the Village and amounted to \$602,232.

NOTE 8 - RETIREMENT SYSTEMS

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

**VILLAGE OF CARDINGTON
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 8 - RETIREMENT SYSTEMS - (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2001, members of OP&F contribute 10% of their wages to the OP&F. The Village contributes an amount equal to 19.5% of their wages. PERS members contribute 8.5% of their gross salaries. The Village contributes an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2001.

NOTE 9 - RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- General liability and casualty
- Public official's liability
- Property (fleet and fire)

The Village also provides health insurance to full-time employees through a private carrier.

NOTE 10 - CONTINGENT LIABILITY

LITIGATION

The Village is a defendant in several lawsuits. Although the outcome of these suit are not presently determinable, counsel believes that the resolution of these matters will not materially affect the Village's financial condition.

NOTE 11 - SUBSEQUENT EVENT

During May 2001, the Village no longer heard cases in its Mayor's Court. All new cases have been transferred to the Morrow County Court. Fines on these cases are collected by Morrow County Court and remitted to the Village monthly. The Village is continuing to collect fines and costs heard by the Village's Mayor's Court for cases prior to May 2001. The Village resumed its Mayor's Court in January 2002.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of Council and Mayor
Village of Cardington
215 Park Avenue
P.O. Box 10
Cardington, Ohio 43315

We have audited the financial statements of the Village of Cardington, Morrow County, Ohio, as of and for the year ended December 31, 2001, and have issued our report thereon dated April 25, 2002. 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 Village of Cardington'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 2001-VOC-001 and 2001-VOC-002. We also noted certain immaterial instances of noncompliance, that we have reported to management of the Village of Cardington in a separate letter dated April 25, 2002.

Members of Council and Mayor
Village of Cardington

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Cardington'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 judgement, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2001-VOC-003.

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 believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the management of the Village in a separate letter dated April 25, 2002.

This report is intended for the information of the Council of the Village of Cardington and its management and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.
April 25, 2002

**VILLAGE OF CARDINGTON
MORROW COUNTY
DECEMBER 31, 2001**

SCHEDULE OF FINDINGS

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2001-VOC-001

Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.

It was noted during the audit that the Village had expenditures in excess of appropriations in the following funds during 2001:

<u>Fund Type/Fund/Activity/Item</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>GENERAL FUND:</u>			
Law Enforcement -			
Salaries	\$140,825	\$142,910	\$ 2,085
Capital Outlay	4,000	4,016	16
Street Lighting			
Contractual Services	700	1,062	362
Leisure Time Activities			
Contractual Services	0	1,035	1,035
Community Planning and Zoning			
Operations and Maintenance			
Mayor and Administrative Office			
Salaries	11,830	13,702	1,872
Legislative Activities			
Contractual Services	81,660	95,110	13,450
Clerk/Treasurer			
Operations & Maintenance	10,160	10,573	413
<u>SPECIAL REVENUE FUND TYPES:</u>			
Street Construction, Maintenance and Repair			
Contractual Services	50	5,437	5,387
Fire Fund			
Salaries	15,980	27,089	11,109
Capital Outlay	14,000	14,143	143
<u>ENTERPRISE FUND TYPE:</u>			
Sewer Fund			
Salaries	98,879	118,570	19,691
Other	0	50,000	50,000

**VILLAGE OF CARDINGTON
MORROW COUNTY
DECEMBER 31, 2001**

SCHEDULE OF FINDINGS

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2001-VOC-001 - (Continued)

<u>Fund Type/Fund/Activity/Item</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>EXPENDABLE TRUST FUND TYPE:</u>			
Income Tax			
Contractual Services	\$0	\$ 446	\$ 446
Supplies and Materials	0	89,983	89,983
Capital Outlay	0	386	386

With expenditures exceeding appropriations, the Village is unlawfully expending monies that have not been approved.

We recommend that the Village comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary.

Finding Number	2001-VOC-002
----------------	--------------

Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure 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 for ninety-five percent of the expenditures tested.

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

We recommend that all orders or contracts involving the expenditure of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. The Village should consider using “Then” and “Now” certificates where applicable. Guidance on the use of these certificates is found in this code section and the Ohio Compliance Supplement published by Auditor of State.

**VILLAGE OF CARDINGTON
MORROW COUNTY
DECEMBER 31, 2001**

SCHEDULE OF FINDINGS

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2001-VOC-003

Mayor's Court Records

It was noted during the audit that the Mayor's Court records were not reconciled on a timely basis. Although the cashbook was reconciled and reviewed monthly, the cashbook was not reconciled with the bank statements. In addition , detailed deposit slips were not completed and retained and daily receipts were not easily reconciled to the daily bank deposits.

During May 2001, the Village no longer heard cases in its Mayor's Court. All new cases have been transferred to Morrow County Court. Fines on these cases are collected by Morrow County Court remitted to the Village each month. The Village is continuing to collect fines and costs heard by the Village's Mayor's Court for cases prior to May 2001. The Village resumed its Mayor's Court in January 2002.

We recommend that the Village reconcile the receipts for the "old" cases monthly upon receipt of the bank statement and that the disbursements to the Village and State be made as required by ORC Section 733.40.

In addition, it was noted that the "hard" copy of the citations were filed in the case files. We recommend that the hard copy of the ticket be retained by the police department and that the other copy be transferred to the County Court.

**VILLAGE OF CARDINGTON
MORROW COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected ?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u>; <i>Explain:</i>
2000-001	Ohio Revised Code Sections 135.18 and 135.181	Yes	Finding no longer valid.
2000-002	Ohio Revised Code Section 5705.39	Yes	Finding no longer valid.
2000-003	Ohio Revised Code Section 5705.41(B)	No	The Village is attempting to monitor its appropriations monthly and amend them when necessary.
2000-004	Ohio Revised Code Section 5705.41(D)	No	The Village is attempting to instill policies and procedures to ensure purchase orders are obtained prior to payment of Village resources.
2000-005	It was noted during the audit that the Mayor's Court records were not reconciled on a timely basis.	No	The Village has ceased Mayor's Court to allow them the opportunity to develop more effective policies and procedures for controls. During the time of cessation, all tickets have been processed through the County Court.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
AUGUST 1, 2002**