



**Auditor of State  
Betty Montgomery**



VILLAGE OF CARDINGTON  
MORROW COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Cardington  
Morrow County  
215 Park Ave.  
PO Box 10  
Cardington, Ohio 43315

To the Village Council:

We have audited the accompanying financial statements of the Village of Cardington, Morrow County, Ohio, (the Village) as of and for the year ended December 31, 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our 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 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As described in Note 11, the Village reclassified some funds requiring a restatement in fund balances.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2003 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 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 audit committee, management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, 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**

June 30, 2003

**VILLAGE OF CARDINGTON  
MORROW COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$182,142	\$52,920	\$38,144	\$ -	\$273,206
Municipal Income Tax	-	611,263	-	-	611,263
Special Assessments	25	400	-	-	425
Intergovernmental Receipts	44,998	40,365	-	-	85,363
Charges for Services	13,927	73,602	-	-	87,529
Fines, Licenses, and Permits	23,726	-	-	-	23,726
Earnings on Investments	43,661	928	-	-	44,589
Miscellaneous	21,520	24,269	-	-	45,789
<b>Total Cash Receipts</b>	<u>329,999</u>	<u>803,747</u>	<u>38,144</u>	<u>-</u>	<u>1,171,890</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	255,289	321,052	-	-	576,341
Public Health Services	1,429	-	-	-	1,429
Leisure Time Activities	-	-	-	-	-
Community Environment	22,132	-	-	-	22,132
Basic Utility Services	6,630	3,552	-	-	10,182
Transportation	58,910	137,792	-	-	196,702
General Government	163,272	106,547	-	-	269,819
Debt Service:					
Principal Payments	-	-	23,994	-	23,994
Interest Payments	-	10,465	14,150	-	24,615
Financing and Other Debt-Service Related	165	-	-	-	165
Capital Outlay	-	-	-	63,303	63,303
<b>Total Cash Disbursements</b>	<u>507,827</u>	<u>579,408</u>	<u>38,144</u>	<u>63,303</u>	<u>1,188,682</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(177,828)</u>	<u>224,339</u>	<u>-</u>	<u>(63,303)</u>	<u>(16,792)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Sale of Bonds or Notes	-	166,338	-	-	166,338
Transfers-In	135,143	4,011	-	-	139,154
Transfers-Out	(9,094)	(221,448)	(1,864)	(322)	(232,728)
Advances-Out	-	(50,000)	-	-	(50,000)
Other Sources / (Uses)	4,520	-	-	-	4,520
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>130,569</u>	<u>(101,099)</u>	<u>(1,864)</u>	<u>(322)</u>	<u>27,284</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(47,259)</u>	<u>123,240</u>	<u>(1,864)</u>	<u>(63,625)</u>	<u>10,492</u>
<b>Fund Cash Balances, January 1</b>	<u>89,643</u>	<u>865,387</u>	<u>1,840</u>	<u>108,279</u>	<u>1,065,149</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$42,384</u></u>	<u><u>\$988,627</u></u>	<u><u>(\$24)</u></u>	<u><u>\$44,654</u></u>	<u><u>\$1,075,641</u></u>

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

**VILLAGE OF CARDINGTON  
MORROW COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Type</u>		<b>Totals (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$633,363	\$0	\$633,363
Miscellaneous	670		670
<b>Total Operating Cash Receipts</b>	<b>634,033</b>	<b>0</b>	<b>634,033</b>
<b>Operating Cash Disbursements:</b>			
Personal Services	164,091	0	164,091
Fringe Benefits	58,460	0	58,460
Contractual Services	85,148	0	85,148
Supplies and Materials	100,710	0	100,710
Other	3,247	0	3,247
Capital Outlay	100,468	0	100,468
<b>Total Operating Cash Disbursements</b>	<b>512,124</b>	<b>0</b>	<b>512,124</b>
Operating Income/(Loss)	121,909	0	121,909
<b>Non-Operating Cash Receipts:</b>			
Property Tax and Other Local Taxes	214,319	0	214,319
Intergovernmental Receipts	78,983	0	78,983
Investment Income	54	0	54
Proceeds from Notes and Bonds	0	0	0
Fines Collected	0	21,814	21,814
Other Non-Operating Receipts	8,647	0	8,647
<b>Total Non-Operating Cash Receipts</b>	<b>302,003</b>	<b>21,814</b>	<b>323,817</b>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	566,146		566,146
Fines Distributed	0	20,743	20,743
Other Non-Operating Cash Disbursements	0		0
<b>Total Non-Operating Cash Disbursements</b>	<b>566,146</b>	<b>20,743</b>	<b>586,889</b>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(142,234)	1,071	(141,163)
Transfers-In	99,733	0	99,733
Advances-In	50,000	0	50,000
Transfers-Out	(6,159)	0	(6,159)
<b>Net Receipts Over/(Under) Disbursements</b>	<b>1,340</b>	<b>1,071</b>	<b>2,411</b>
Fund Cash Balances, January 1	92,029	246	92,275
<b>Fund Cash Balances, December 31</b>	<b>\$93,369</b>	<b>\$1,317</b>	<b>\$94,686</b>

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



**VILLAGE OF CARDINGTON  
MORROW COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

**D. Fund Accounting**

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

**1. 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.

**2. Special Revenue Fund**

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

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

**VILLAGE OF CARDINGTON  
MORROW COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Fund (Continued)**

*Fire Protection Fund* - This fund receives property tax proceeds and charges for services from Cardington and Lincoln Townships and the Fort Morrow Fire District. The funds are used to provide fire protection services to residents of the village and other contracted local governments.

*Income Tax Fund* - This fund receives municipal income taxes from Corporations, employee withholdings and residents. The funds are to be used for administration of the tax, street lighting, road and street repair, resurfacing, and curb construction, and storm sewer maintenance and repair or for an emergency purpose.

**3. Debt Service Fund**

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

*Cardington Lincoln Recreation* - This fund receives property tax proceeds from the Cardington Recreation District. The proceeds are being used for the payment of debt for the swimming pool.

**4. Capital Project Funds**

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

*3<sup>rd</sup> Street Storm Sewer Fund* - The proceeds from this fund are being used to renovate the 3<sup>rd</sup> Street storm sewer.

**5. 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.

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

*Waste Plant Upgrade Fund* - This fund receives grant proceeds from the Ohio Public Works Commission to finance a utility plant upgrade.

**VILLAGE OF CARDINGTON  
MORROW COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**6. Fiduciary Funds (Agency Funds)**

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

*Mayor's Court Fund* - The fund receives payments for fines and for court costs. These funds are distributed to the Village and to the State of Ohio.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. 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 also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF CARDINGTON  
MORROW COUNTY**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31, 2002 was as follows:

Demand deposits	\$578,402
Certificates of deposit	591,925
Total deposits	\$1,170,327

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2002 follows:

Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$419,089	\$469,662	\$50,573
Special Revenue	949,838	\$974,096	24,258
Debt Service	33,568	38,144	4,576
Capital Projects	60,000	0	(60,000)
Enterprise	882,859	1,035,769	152,910
Total	\$2,345,354	\$2,517,671	\$172,317

Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$631,944	\$516,921	\$115,023
Special Revenue	970,598	800,856	169,742
Debt Service	38,145	40,008	(1,863)
Capital Projects	101,981	63,625	38,356
Enterprise	1,154,938	1,084,429	70,509
Total	\$2,897,606	\$2,505,839	\$391,767

**VILLAGE OF CARDINGTON  
MORROW COUNTY**

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

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. 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.

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.

**5. LOCAL INCOME TAX**

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.

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

**6. DEBT**

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
1978 Ohio Water Development Authority Loan	\$83,528	5.25%
1996 Ohio Water Development Authority Loan	\$1,526,552	4.16%
1996 Ohio Water Development Authority Loan	\$1,854,322	6.49%
1977 GMAC Loan	266,000	5.00%
1991 GMAC Loan	606,000	5.00%
2002 Fire Truck Note	166,338	5.86%
2002 Police Cruisers Note	13,355	7.50%
2001 Swimming Pool Bonds	245,441	5.37%
Total	<u>\$4,761,536</u>	

**VILLAGE OF CARDINGTON  
MORROW COUNTY**

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

**6. DEBT (Continued)**

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$4,341,770 in loans to the Village for this project. The loans will be repaid in semiannual installments including interest, over 20, 25 and 40 years. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The GMAC loan relates to a water and sewer plant improvement projects. The loans will be repaid in semiannual installments including interest, over 30-35 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover GMAC debt service requirements.

During 2002, the Village issued a note for the purpose of purchasing a new fire truck. The loans will be repaid in 5 annual payments including interest beginning in 2003.

During 2002, the Village issued a note for the purpose of purchasing of two police vehicles. The loans will be repaid in 2 annual payments including interest beginning in 2003.

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

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

Year ending December 31:	OWDA Loan	OWDA Loan	OWDA Loan	1977 GMAC	1991 GMAC	Fire Truck	Police Cruisers	Swimming Pool	Totals
2003	\$10,544	\$141,262	\$172,610	\$36,400	\$52,300	\$39,377	\$7,463	\$38,144	\$498,100
2004	10,544	141,262	172,610	37,300	52,200	39,377	7,463	38,144	\$498,900
2005	10,544	141,262	172,610	38,100	52,050	39,377	0	38,145	\$492,088
2006	10,544	141,262	172,610	36,800	51,850	39,377	0	38,144	\$490,587
2007	10,544	141,262	172,610	36,700	51,150	39,378	0	38,145	\$489,789
2008 – 2012	52,720	706,310	863,050	187,600	255,500	0	0	114,433	\$2,179,613
2013 – 2017	4,820	635,678	863,050	0	255,500	0	0	0	\$1,759,048
2018 – 2022	0	0	690,440	0	161,250	0	0	0	\$851,690
Total	<u>\$110,260</u>	<u>\$2,048,298</u>	<u>\$3,279,590</u>	<u>\$372,900</u>	<u>\$931,800</u>	<u>\$196,886</u>	<u>\$14,926</u>	<u>\$305,155</u>	<u>\$7,259,815</u>

**VILLAGE OF CARDINGTON  
MORROW COUNTY**

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

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time 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 postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002. The Village has paid all contributions required through December 31, 2002.

**8. RISK MANAGEMENT**

**Risk Pool Membership**

The Government belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with approximately 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages. Effective September 1, 2002, the Plan retains 5% of the premium and losses on the first \$500,000 casualty treaty (up to \$25,000 of a loss) and 5% of the first \$1,000,000 property treaty (up to \$50,000 of a loss). The Plan also participates in a loss corridor in its first \$500,000 casualty reinsurance. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. (Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded.) The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

**9. CONTINGENT LIABILITIES**

The Village is defendant in a lawsuit. Although the outcome of the suit is not presently determinable, management believes that the resolution of the matter will not materially adversely affect the Village's financial condition.

**10. INTERFUND ASSETS AND LIABILITIES**

The village council approved ordinance number 2002-06 that authorized the advance of \$50,000 from the Income Tax Fund to the Sewer Fund. The clerk/treasurer was further ordered to transfer back \$50,000 from the Sewer Fund to the Income Tax Fund in April 2002. As of December 31, 2002, the fund advance of \$50,000 has not been made back to the Income Tax Fund.

**VILLAGE OF CARDINGTON  
MORROW COUNTY**

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

**11. PRIOR PERIOD ADJUSTMENTS**

The December 31, 2001 fund balances have been restated due to the following:

Classify the Income Tax fund as Special Revenue and not Expendable Trust Fund Type, and to classify the Third Street Storm Sewer fund and DOD Sewer funds as Capital Projects.

	Fund Balance As Previously Stated At December 31, 2001		Amount of Restatement		Fund Balance As Restated At December 31, 2001
Special Revenue Fund Type	\$ 228,580	\$	636,807	\$	865,387
Debt Service	\$ 2,162	\$	(322)	\$	1,840
Capital Projects	\$ -	\$	108,279	\$	108,279
Expendable Trust	\$ 636,807	\$	(636,807)	\$	-
Enterprise	\$ 199,986	\$	(107,957)	\$	92,029





## **Auditor of State Betty Montgomery**

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

Village of Cardington  
Morrow County  
215 Park Ave.  
PO Box 10  
Cardington, Ohio 43315

To the Village Council:

We have audited the accompanying financial statements of the Village of Cardington, Morrow County, Ohio, (the Village) as of and for the year ended December 31, 2002, and have issued our report thereon dated June 30, 2003 wherein we noted that the Village reclassified some funds requiring the restatement of some fund balances. 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'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 2002-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 30, 2003.

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

In planning and performing our audit, we considered the Village'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 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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Village in a separate letter date June 30, 2003.

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Village of Cardington  
Morrow County  
Independent Accountants Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
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This report is intended solely for the information and use of the audit committee, management and Village Council, 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**

June 30, 2003

VILLAGE OF CARDINGTON  
MORROW COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2002

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

**FINDING NUMBER 2002-001**

**Interest Allocation**

Ohio Rev. Code Sections 135.21 and 5705.10, require that interest earned on monies deposited by a treasurer which do not belong in the treasury of the subdivision, due to their status as custodial funds, because he is acting as ex officio treasurer, or otherwise, generally must be apportioned to the funds to which the principal belongs (including undivided tax funds);

All other interest earned must be credited to the general fund of the subdivision, with certain exceptions.

During 2002 the Village posted interest to the following funds contrary to the above sections:

<u>FUND</u>	<u>AMOUNT</u>
Fire Prevention Fund	\$ 3,229
3rd Street Storm Sewer	1,550
Waste Plant Upgrade	1,366
	<u>\$ 6,145</u>

The Village has made adjustments for these amounts which are reflected in the financial statements.

We recommend the Village management closely monitor the postings of interest receipts. Procedures should be implemented to assure that interest receipts are credited to funds in accordance with the Ohio Revised Code. This will help to assure that fund balances are reported accurately to the Village Council.

**FINDING NUMBER 2002-002**

**Fund Transfers**

Ohio Rev. Code Sections 5705.14, 5705.15, and 5705.16 require that no transfer can be made from one fund of a subdivision to any other fund, except as follows:

- The unexpended balance in a bond fund that is no longer needed for the purpose for which such fund was created shall be transferred to the sinking fund or bond retirement fund from which such bonds are payable.
- The unexpended balance in any specific permanent improvement fund, other than a bond fund, after the payment of all obligations incurred in the acquisition of such improvement, shall be transferred to the sinking fund or bond retirement fund of the subdivision. However, if such money is not required to meet the obligations payable from such funds, it may be transferred to a special fund for the acquisition of permanent improvements, or, with the approval of the court of common pleas of the county in which such subdivision is located, to the general fund of the subdivision.

**VILLAGE OF CARDINGTON  
MORROW COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2002-002 (Continued)**

**Fund Transfers (Continued)**

- The unexpended balance in the sinking fund or bond retirement fund of a subdivision, after all indebtedness, interest, and other obligations for the payment of which such fund exists have been paid and retired, shall be transferred, in the case of the sinking fund, to the bond retirement fund, and in the case of the bond retirement fund, to the sinking fund. However, if the transfer is impossible by reason of the nonexistence of the fund to receive the transfer, the unexpended balance may be transferred to any other fund of the subdivision with the approval of the court of common pleas of the county in which such division is located.
- The unexpended balance in any special fund, other than an improvement fund, may be transferred to the general fund or to the sinking fund or bond retirement fund after the termination of the activity, service, or other undertaking for which such special fund existed, but only after the payment of all obligations incurred and payable from such special fund.
- Money may be transferred from the general fund to any other fund of the subdivision by resolution of the taxing authority.
- Moneys retained or received by a municipal corporation under Ohio Rev. Code section 4501.04 (motor vehicle license tax), or division (A) (1) or (2) of Ohio Rev. Code section 5735.27 (motor vehicle fuel excise taxes), may be transferred from the fund into which they were deposited to the sinking fund or bond retirement fund from which any principal, interest, or charges for which such moneys may be used is payable.
- Except in the case of transfers from the general fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. Transfers from the general fund require a resolution passed by a simple majority of the board members (i.e., a two thirds vote is not required for general fund transfers though a resolution is required).

In addition to the transfers listed above, which are authorized in Ohio Rev. Code Section 5705.14, the taxing authority of any political subdivision, with the approval of the Tax Commissioner and of the Court of Common Pleas, may transfer from one fund to another any public funds under its supervision, except the proceeds or balances of:

- loans,
- bond issues,
- special levies for the payment of loans or bond issues,
- the proceeds or balances of funds derived from any excise tax levied by law for a specified purpose, and
- the proceeds or balances of any license fees imposed by law for a specified purpose.

During 2002 the Village made various fund transfers without the approval of the Village Council.

**VILLAGE OF CARDINGTON  
MORROW COUNTY**

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

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

**FINDING NUMBER 2002-002 (Continued)**

**Fund Transfers (Continued)**

<u>FUND</u>	<u>Transfer From</u>	<u>Transfer To</u>
General	\$ 49,081	\$ -
3rd Street Storm Sewer	-	6,000
Income Tax Fund	9,210	-
Drug Law Enforcement	-	7,797
COPS	-	22,392
Fire Protection	-	20,000
Sewer Bond Retirement	-	1,844
DOD Sewer	-	321
Waste Water Plant Upgrade	12,500	-
Water Tower Capital Outlay	-	20
Water Plant Capital Outlay	-	1,088
Waste Water Capital Outlay	-	4,985
Water Fund	-	834
Sewer Fund	-	5,510
	<u>\$ 70,791</u>	<u>\$ 70,791</u>

The Village has made adjustments for these amounts which are reflected in the financial statements.

It is recommended the Village management closely monitor fund transfers. Procedures should be implemented to assure that fund transfers are made in accordance with the Ohio Revised Code. This will help to assure that fund balances are reported accurately to the Village Council.

**FINDING NUMBER 2002-003**

**Fund Advances**

The provisions governing inter-fund advances are derived, in part, from Ohio Rev. Code Sections 5705.10, 5705.14, 5705.15, 5705.16, 5705.36, 5705.39, 5705.41. AOS Bulletin 97-003 sets forth the requirements for inter-fund advances and provides additional guidance for recording such transactions. According to these Revised Code sections, and AOS Bulletin 97-03, among other requirements, advances must be approved by a formal resolution of the taxing authority, and there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund).

During 2002 the Village made various fund advances without the approval of the Village Council.

**VILLAGE OF CARDINGTON  
MORROW COUNTY**

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

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

**FINDING NUMBER 2002-003 (Continued)**

**Fund Advances (Continued)**

<u>FUND</u>	<u>Advance From</u>	<u>Advance To</u>
Income Tax Fund	116,131	-
Fire Protection	-	5,000
Waste Water Plant Upgrade	51,573	-
Water Fund	-	116,870
Sewer Fund	-	45,834
	<u>\$ 167,704</u>	<u>\$ 167,704</u>

The Village has made adjustments for these amounts which are reflected in the financial statements.

We recommend the Village management closely monitor the fund advances. Procedures should be implemented to assure that fund advances are made in accordance with the Ohio Revised Code. This will help to assure that fund balances are reported accurately to the village council.

**FINDING NUMBER 2002-004**

**Prior Certification of Expenditures**

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment 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 encumbrance. Further, contracts and orders for expenditures lacking prior certification should be considered null and void.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate – if no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was both at the time of the order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, the Council may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1,000, the fiscal officer may authorize it to be paid without the affirmation of Council upon completion of a then and now certificate, if such expenditure is otherwise valid. As of April, 2003, this amount was increased to \$3,000.

**VILLAGE OF CARDINGTON  
MORROW COUNTY**

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

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

**FINDING NUMBER 2002-004 (Continued)**

**Prior Certification of Expenditures (Continued)**

Sixty-three percent of the transactions tested were not certified by the Clerk/Treasurer prior to the commitment being incurred, nor were they certified using a then-and-now certification. This procedure is not only required by Ohio law, but is a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Council.

**VILLAGE OF CARDINGTON  
MORROW COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected?	
2001-VOC-001	Expenditures exceeded Appropriations , Section 5705.41B, ORC	Yes	Finding No Longer Valid
2001-VOC-002	Expenditures were not certified by the fiscal officer in a timely manger, Section 5705.41D, ORC	No	The Village has not corrected this deficiency.
2001-VOC-003	Mayors' court records not reconciled timely.	Yes	Finding No Longer Valid





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**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  
DECEMBER 9, 2003**