

CARDINGTON TOWNSHIP
MORROW COUNTY, OHIO

Audited Financial Statements

For the Years Ended December 31, 2006 and 2005



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Cardington Township, Morrow County, prepared by Van Kregel and Company, CPAs, for the audit period January 1, 2005 through December 31, 2006. 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. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State 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 *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 5, 2008

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Cardington Township
Morrow County

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Cardington Township, Morrow County, Ohio (the Township) as of and for the years ended December 31, 2006 and 2005. 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 reasonably assure 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 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 (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume that they are material.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Township's larger (i.e., major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State of Ohio permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, 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, 2006 and 2005, or its changes in financial position for the years 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, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2007, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audits.

A handwritten signature in cursive script that reads "Van Krevel & Company".

Van Krevel & Company
Dublin, Ohio

November 20, 2007

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, 2006

	<u>Governmental Funds</u>		Totals
	<u>General</u>	<u>Special Revenue</u>	<u>Memorandum Only</u>
Cash Receipts:			
Property and Other Local Taxes	\$ 27,707	\$220,110	\$247,817
Intergovernmental	30,852	113,281	144,133
Licenses, Permits and Fees	2,126		2,126
Earnings on Investments	3,575	1,105	4,680
Miscellaneous	<u>691</u>	<u> </u>	<u>691</u>
Total Cash Receipts	64,951	334,496	399,447
Cash Disbursements:			
Current:			
General Government	50,629	103,504	154,133
Public Safety	2,380	53,202	55,582
Public Works	<u>250</u>	<u>129,134</u>	<u>129,384</u>
Total Cash Disbursements	53,259	285,840	339,099
Excess of Cash Receipts Over/ (Under) Cash Disbursements	11,692	48,656	60,348
Fund Cash Balances, January 1	<u>89,402</u>	<u>145,791</u>	<u>235,193</u>
Fund Cash Balances, December 31	<u>\$101,094</u>	<u>\$194,447</u>	<u>\$295,541</u>

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, 2005

	<u>Governmental Funds</u>		Totals Memorandum <u>Only</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 23,919	\$213,380	\$237,299
Intergovernmental	31,167	111,353	142,520
Licenses, Permits and Fees	2,089		2,089
Earnings on Investments	2,283	727	3,010
Miscellaneous	<u>814</u>	<u> </u>	<u>814</u>
Total Cash Receipts	60,272	325,460	385,732
Cash Disbursements:			
Current:			
General Government	50,654	103,927	154,581
Public Safety	2,152	53,179	55,331
Public Works	3,577	132,923	136,500
Capital Outlay	<u> </u>	<u>2,482</u>	<u>2,482</u>
Total Cash Disbursements	56,383	292,511	348,894
Excess of Cash Receipts Over/ (Under) Cash Disbursements	3,889	32,949	36,838
Fund Cash Balances, January 1	<u>85,513</u>	<u>112,842</u>	<u>198,355</u>
Fund Cash Balances, December 31	<u>\$ 89,402</u>	<u>\$145,791</u>	<u>\$235,193</u>

Cardington Township
Morrow County, Ohio

Notes to the Financial Statements
December 31, 2006 and 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A 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.

B Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of the State of Ohio, which is similar to the cash receipts and cash disbursements basis of accounting. Receipts are recognized when received 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 the State of Ohio.

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.

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

D 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.

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.

Cardington Township
Morrow County, Ohio

Notes to the Financial Statements
December 31, 2006 and 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D Fund Accounting (continued)

2 Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than those 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 monies to pay for constructing, maintaining and repairing Township roads and bridges.

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

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

Cemetery Fund - This fund receives levied monies for the purpose of maintaining the Township's Glendale Cemetery.

E Budgetary Process

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

1 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. Unencumbered 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.

Cardington Township
Morrow County, Ohio

Notes to Financial Statements
December 31, 2006 and 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3 Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be re-appropriated.

A summary of the 2006 and 2005 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 in 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 Township's basis of accounting.

NOTE 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 and investments at December 31st was as follows:

	<u>2006</u>	<u>2005</u>
Demand Deposits	\$208,365	\$152,160
STAR Ohio	<u>87,176</u>	<u>83,033</u>
Total Demand Deposits and Investments	<u>\$295,541</u>	<u>\$235,193</u>

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

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

Cardington Township
Morrow County, Ohio

Notes to Financial Statements
December 31, 2006 and 2005

NOTE 3 BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2006, follows:

2006 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 36,300	\$ 64,951	\$ 28,651
Special Revenue	<u>230,900</u>	<u>334,496</u>	<u>103,596</u>
Totals	<u>\$267,200</u>	<u>\$399,447</u>	<u>\$132,247</u>

2006 Budgeted vs. Actual Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$104,400	\$ 53,259	\$ 51,141
Special Revenue	<u>366,161</u>	<u>285,840</u>	<u>80,321</u>
Totals	<u>\$470,561</u>	<u>\$339,099</u>	<u>\$131,462</u>

Budgetary activity for the year ending December 31, 2005, follows:

2005 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 36,160	\$ 60,272	\$ 24,112
Special Revenue	<u>265,190</u>	<u>325,460</u>	<u>60,270</u>
Totals	<u>\$301,350</u>	<u>\$385,732</u>	<u>\$ 84,382</u>

2005 Budgeted vs. Actual Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 98,600	\$ 56,383	\$ 42,217
Special Revenue	<u>353,560</u>	<u>292,511</u>	<u>61,049</u>
Totals	<u>\$452,160</u>	<u>\$348,894</u>	<u>\$103,266</u>

Cardington Township
Morrow County, Ohio

Notes to Financial Statements
December 31, 2006 and 2005

NOTE 4 PROPERTY TAXES

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 semi-annual 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 with the County by April 30 each year.

The County is responsible for assessing property and for billing, collecting and distributing all property taxes on behalf of the Township.

NOTE 5 RETIREMENT SYSTEM

The Township's 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 health care 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 2006 and 2005, PERS members contributed 9.0% and 8.5% of their gross salaries, respectively, and the Township contributed an amount equal to 13.70% and 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

NOTE 6 RISK MANAGEMENT

The Township has obtained insurance for the following risks:

Comprehensive Property and General Liability
Vehicles
Errors and Omissions

The Township also reimburses officials for payments of health insurance premiums.

INDEPENDENT ACCOUNTANT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

To the Board of Trustees:

We have audited the financial statements of Cardington Township, Morrow County, Ohio (the Township) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated November 20, 2007, wherein we noted that 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not to opine the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be considered significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more than inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of audit findings to be a significant deficiency in internal control over financial reporting: 2006-001.

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Cardington Township
Morrow County, Ohio
Independent Accountant's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying schedule of audit findings as items 2006-002 and 2006-003.

We also noted certain noncompliance or other matter not requiring inclusion in this report that we reported to the Township's management in a separate letter dated November 20, 2007.

We intend this report solely for the information and use of management and the Board of Trustees. We intend it for no one other than these specified parties.



Van Krevel & Company
Dublin, Ohio

November 20, 2007

Cardington Township
Morrow County, Ohio

Schedule of Audit Findings
December 31, 2006 and 2005

Finding 2006-001

Significant Deficiency

Posting Estimated Receipts & Appropriations

The Township did not have a control in place to ensure that estimated revenues and appropriations, as authorized by the Board of Trustees and approved by the County Budget Commission, were reconciled to the estimated revenues and appropriations posted to the accounting system. This resulted in incorrect amounts posted to the accounting system, and information available to Township officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate.

Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present estimated receipts and appropriation as certified by the County Budget Commission.

We recommend that the Township implement procedures to ensure appropriation and estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission after each amendment.

Officials Response – We did not receive a response from officials to this finding.

Finding 2006-002

Noncompliance Citation

Ohio Revise Code Section 5705.36 allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

During 2006 and 2005, the Township did not obtain a reduced or increased amended certificate for several funds when actual receipts were greater or less than the budgeted receipts.

We recommend the Township perform a comparison of the estimated resources and the actual receipts periodically in order to determine whether an amended certificate of estimated resources needs to be obtained.

Officials Response – We did not receive a response from officials to this finding.

Cardington Township
Morrow County, Ohio

Schedule of Audit Findings
December 31, 2006 and 2005

Finding 2006-003

Noncompliance Citation

Ohio Revised Code Section 5705.40 requires that any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them. Transfers, or reallocations of appropriations, may be made by resolution or ordinance from one appropriation item to another.

In 2006 and 2005, the Township increased appropriations in the Cemetery Fund, as evidenced in the minutes; however, the amended appropriations were not passed by a resolution or ordinance and, as a result, amended certificates were not executed by or received from the County Budget Commission.

We recommend the Township pass a resolution or ordinance to reflect an increase or decrease in appropriations and send a copy to the County Budget Commission for a certificate.

Officials Response – We did not receive a response from officials to this finding.

Cardington Township
Morrow County, Ohio

Schedule of Prior Audit Findings
December 31, 2006 and 2005

Finding No.	Finding Summary	Fully Corrected
2004-001	ORC Section 5549.21 - Competitive Bidding	Yes
2004-002	ORC 5705.39 - Failure to File Amended Estimated and Appropriations with the County Auditor	Yes
2004-003	ORC 5705.41(B) - Expenditures Exceed Appropriations	Yes



Mary Taylor, CPA
Auditor of State

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
FEBRUARY 15, 2008**