

**VILLAGE OF CARDINGTON
MORROW COUNTY, OHIO**

*Financial Statements
(Audited)*

For The Year Ended
December 31, 2000

BELVA DEAN BOWERS, CLERK/TREASURER



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Members of Council and Mayor
Village of Cardington
215 Park Avenue
P.O. Box 10
Cardington, Ohio 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, 2000 through December 31, 2000. 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.

JIM PETRO
Auditor of State

July 9, 2001

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**VILLAGE OF CARDINGTON
MORROW COUNTY, OHIO**

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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, 2000. 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 generally accepted auditing standards 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 generally accepted accounting principles.

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, 2000, 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 May 11, 2001, 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.
May 11, 2001

**VILLAGE OF CARDINGTON
MORROW COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND
BALANCES - ALL FUND TYPES
DECEMBER 31, 2000

<u>Cash and Investments</u>	<u>2000</u>
Cash and Cash Equivalents	\$ 1,128,344
Investments	<u>4,153</u>
Total Cash and Investments	<u><u>\$ 1,132,497</u></u>
 <u>Fund Balances</u>	
 <u>Governmental Fund Types:</u>	
General Fund	\$ 72,061
Special Revenue Funds	234,980
Debt Service Funds	<u>2,162</u>
Total Governmental Fund Types	<u><u>309,203</u></u>
 <u>Proprietary Fund Type:</u>	
Enterprise Funds	<u>396,843</u>
 <u>Fiduciary Fund Types:</u>	
Expendable Trust Fund	423,992
Agency Fund	<u>2,459</u>
Total Fiduciary Fund Types	<u><u>426,451</u></u>
Total Fund Balances	<u><u>\$ 1,132,497</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, 2000

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Expendable Trust	
Cash receipts:					
Local taxes	\$ 118,956	\$ 22,617	\$ -	\$ 360,871	\$ 502,444
Intergovernmental	52,594	113,381	-	-	165,975
Charges for services	1,950	70,395	-	-	72,345
Fines, licenses, and permits	19,749	-	-	-	19,749
Interest	21,228	5,638	-	10,226	37,092
Miscellaneous	500	738	-	-	1,238
Total cash receipts	<u>214,977</u>	<u>212,769</u>	<u>-</u>	<u>371,097</u>	<u>798,843</u>
Cash disbursements:					
Current:					
Security of persons and property	174,961	164,385	-	-	339,346
Public health services	1,302	-	-	-	1,302
Leisure time activities	2,838	-	-	-	2,838
Community environment	11,511	-	-	-	11,511
Transportation	67,594	132,877	-	-	200,471
General government	294,858	-	-	6,460	301,318
Capital outlay	21,308	15,157	-	-	36,465
Total cash disbursements	<u>574,372</u>	<u>312,419</u>	<u>-</u>	<u>6,460</u>	<u>893,251</u>
Total cash receipts over/(under) cash disbursements	<u>(359,395)</u>	<u>(99,650)</u>	<u>-</u>	<u>364,637</u>	<u>(94,408)</u>
Other financing receipts/(disbursements):					
Operating transfers in	263,360	135,000	-	-	398,360
Operating transfers out	(80,000)	-	-	(358,360)	(438,360)
Reimbursements	46,306	665	-	-	46,971
Other uses	(377)	-	-	(571)	(948)
Total other financing receipts/(disbursements)	<u>229,289</u>	<u>135,665</u>	<u>-</u>	<u>(358,931)</u>	<u>6,023</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(130,106)	36,015	-	5,706	(88,385)
Cash fund balances, January 1, 2000	<u>202,167</u>	<u>198,965</u>	<u>2,162</u>	<u>418,286</u>	<u>821,580</u>
Cash fund balances, December 31, 2000	<u>\$ 72,061</u>	<u>\$ 234,980</u>	<u>\$ 2,162</u>	<u>\$ 423,992</u>	<u>\$ 733,195</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, 2000

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Charges for services	\$ 561,541	\$ -	\$ 561,541
Interest	21,002	-	21,002
Other miscellaneous	1,198	-	1,198
Total operating cash receipts	<u>583,741</u>	<u>-</u>	<u>583,741</u>
Operating cash disbursements:			
Personal services	204,881	-	204,881
Contractual services	180,321	-	180,321
Supplies and material	82,151	-	82,151
Capital outlay	310,687	-	310,687
Total operating cash disbursements	<u>778,040</u>	<u>-</u>	<u>778,040</u>
Operating income (loss)	<u>(194,299)</u>	<u>-</u>	<u>(194,299)</u>
Nonoperating cash receipts/(disbursements):			
Intergovernmental revenues	287,516	-	287,516
Fines collected	-	19,251	19,251
Debt service:			
Principal	(159,661)	-	(159,661)
Interest	(265,930)	-	(265,930)
Fines disbursed	-	(16,792)	(16,792)
Total nonoperating cash receipts/(disbursements)	<u>(138,075)</u>	<u>2,459</u>	<u>(135,616)</u>
Income (loss) before operating transfers	(332,374)	2,459	(329,915)
Transfers in	90,000	-	90,000
Transfers out	<u>(50,000)</u>	<u>-</u>	<u>(50,000)</u>
Net income (loss)	(292,374)	2,459	(289,915)
Cash fund balances, January 1, 2000	<u>689,217</u>	<u>-</u>	<u>689,217</u>
Cash fund balances, December 31, 2000	<u>\$ 396,843</u>	<u>\$ 2,459</u>	<u>\$ 399,302</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, 2000

Fund Types	Receipts					Disbursements					Variance Favorable (Unfavorable)	
	Unencumbered Cash	Budget	Total Estimated Resources	Actual 2000 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2000 Appropriations	Total	Actual 2000 Disbursements	Encumbrances Outstanding at 12/31/00		Total
Governmental:												
General	\$ 202,167	\$ 723,750	\$ 925,917	\$ 524,643	\$ (199,107)	\$ -	\$ 607,079	\$ 607,079	\$ 654,749	\$ -	\$ 654,749	\$ (47,670)
Special revenue	198,965	-	198,965	348,434	348,434	-	392,888	392,888	312,419	-	312,419	80,469
Debt service	2,162	-	2,162	-	-	-	-	-	-	-	-	-
Proprietary:												
Enterprise	689,217	850,000	1,539,217	961,257	111,257	-	1,595,091	1,595,091	1,253,631	-	1,253,631	341,460
Fiduciary:												
Expendable Trust	418,286	-	418,286	371,097	371,097	-	370,245	370,245	365,391	-	365,391	4,854
Total (Memorandum Only)	\$ 1,510,797	\$ 1,573,750	\$ 3,084,547	\$ 2,205,431	\$ 631,681	\$ -	\$ 2,965,303	\$ 2,965,303	\$ 2,586,190	\$ -	\$ 2,586,190	\$ 379,113

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, 2000

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, 2000

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.

State Highway Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village state highways.

COPS FAST - This fund receives federal grant monies for the Village's police department.

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.

**VILLAGE OF CARDINGTON
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

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

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:

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.

**VILLAGE OF CARDINGTON
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

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

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.

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.

**VILLAGE OF CARDINGTON
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

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

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.

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, 2000.

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 \$58,094 for the year ended December 31, 2000.

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.

**VILLAGE OF CARDINGTON
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

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

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.

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.

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.

**VILLAGE OF CARDINGTON
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 3 - COMPLIANCE

- A. The following funds had appropriations in excess of estimated resources for the year ended December 31, 2000, in noncompliance with Ohio Revised Code Section 5705.39:

<u>Fund Type/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>SPECIAL REVENUE:</u>			
Street Construction, Maintenance and Repair	\$16,474	\$147,515	\$131,041
Drug Law Enforcement	1,260	1,500	240
COPS FAST	-	115,323	115,323
<u>ENTERPRISE:</u>			
Storm Sewer	97,274	375,000	277,726

- B. The following funds had expenditures plus encumbrances in excess of appropriations for the year ended December 31, 2000, in noncompliance with Ohio Revised Code Section 5705.41(B):

<u>Fund Type/Fund</u>	<u>Appropriations</u>	<u>Expenditures plus Expenditures</u>	<u>Excess</u>
<u>GENERAL FUND:</u>			
Law Enforcement- Salaries	\$135,295	\$139,103	\$ 3,808
Leisure Time Activities- Capital Outlay	2,400	10,000	7,600
Mayor and Administrative Office- Transfer Out	-	80,000	80,000
Legislative Activities- Salaries	14,080	17,275	3,195
Contractual Services	59,660	153,455	93,795
Contingencies	4,100	4,592	492
<u>SPECIAL REVENUE:</u>			
Street Construction, Maintenance and Repair: Salaries	71,950	74,857	2,907
<u>EXPENDABLE TRUST:</u>			
Income Tax: Salaries	2,385	2,441	56

**VILLAGE OF CARDINGTON
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 4 - CASH AND CASH EQUIVALENTS

The Village maintains individual cash balances in bank accounts and short-term cash equivalents classified as “Cash and Cash Equivalents” on the Statement of Fund Balances.

A. LEGAL REQUIREMENTS

Statutes require the classifications of funds held by the Village into two categories:

Category 1 consists of active funds - those funds required to be kept in a cash or cash equivalent status for immediate use by the Village. Such funds must be maintained either as cash in the Village treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of inactive funds - those funds not required for use within the current two year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Inactive funds may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any Federal government agency, or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**VILLAGE OF CARDINGTON
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 4 - CASH AND CASH EQUIVALENTS - (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio).

The Village may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default principal, interest or coupons;
3. Obligations to the Village.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Historically, the Village has not purchased these types of investments or issued these types of notes. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village and must be purchased with the expectation that it will be held to maturity.

**VILLAGE OF CARDINGTON
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 4 - CASH AND CASH EQUIVALENTS - (Continued)

B. DEPOSITS 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 was as follows:

	<u>2000</u>
Demand Deposits	\$1,128,344
STAR Ohio - Investment	<u>4,153</u>
Total Deposits and Investments	<u><u>\$1,132,497</u></u>

For the year ended December 31, 2000, the carrying amount of the balance of the Village's deposit was \$1,128,344, and the bank balance was \$1,135,386. Of the bank balance:

1. \$110,872 was covered by federal depository insurance.
2. \$1,024,514 was uninsured and uncollateralized and the statutory requirements for the deposit of money were not followed.

C. INVESTMENTS

Investments are categorized as follows:

- Category 1 - Insured or registered, or securities held by the Village or its agent in the Village's name.
- Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Village's name.
- Category 3 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Village's name.

**VILLAGE OF CARDINGTON
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 4 - CASH AND CASH EQUIVALENTS - (Continued)

The Village invested in STAR Ohio in 2000. Investments in STAR Ohio are not evidenced by securities that exist in physical or book entry form and therefore are not categorized as to the level of risk assumed by the Village. The Village's investments at December 31, 2000, are summarized below:

	<u>2000</u>	
	<u>Carrying Amount</u>	<u>Market Value</u>
STAR Ohio	\$4,153	\$4,153

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure the repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

**VILLAGE OF CARDINGTON
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 5 - DEBT OBLIGATIONS

At December 31, 2000, debt obligations consisted of the following issuances:

<u>Description</u>	<u>Balance at December 31, 2000</u>
1978 Ohio Water Development Authority Plant Expansion Loan, due in semiannual payments of \$5,272 through 2013 at a rate of 5.25%.	\$ 97,646
1991 GMAC Water Improvement Loan, due in annual installments of varying amounts through 2020 at a rate of 5%.	645,000
1977 GMAC Sewer Improvement Loan, due in annual installments of varying amounts through 2012 at a rate of 5%.	330,000
1996 Ohio Water Development Authority Water Plant Loan, due in semiannual installments of \$86,305 through 2022 at a rate of 6.49%.	1,971,129
1996 Ohio Water Development Authority Sewer Plant Loan, due in semiannual installments of \$76,346 through 2017 at a rate of 4.16%.	<u>1,847,641</u>
Total debt obligations at December 31, 2000	<u>\$4,891,416</u>

**VILLAGE OF CARDINGTON
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 5 - DEBT OBLIGATIONS - (Continued)

Transactions for the year ended December 31, 2000, are summarized as follows:

	<u>Balance at December 31, 1999</u>	<u>Payments</u>	<u>Balance at December 31, 2000</u>
1978 OWDA Loan	\$ 102,794	\$ 5,148	\$ 97,646
1991 GMAC Loan	664,000	19,000	645,000
1977 GMAC Loan	350,000	20,000	330,000
1996 OWDA Loan-Water	2,013,089	41,960	1,971,129
1996 OWDA Loan-Sewer	<u>1,921,194</u>	<u>73,553</u>	<u>1,847,641</u>
Total Debt Obligations	<u>\$5,051,077</u>	<u>\$159,661</u>	<u>\$4,891,416</u>

The principal and interest requirement to retire the debt obligation outstanding at December 31, 2000, is as follows:

	<u>1978 Plant Expansion Loan</u>		<u>1991 Water Loan</u>		<u>1977 Sewer Loan</u>		<u>1996 Water Plant Loan</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2001	\$ 5,418	\$ 5,126	\$ 19,000	\$ 32,250	\$ 20,000	\$ 16,500	\$ 44,683	\$ 127,927
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
Subsequent	<u>67,560</u>	<u>16,752</u>	<u>537,000</u>	<u>238,250</u>	<u>216,000</u>	<u>45,100</u>	<u>1,716,768</u>	<u>1,131,297</u>
Total	<u>\$97,646</u>	<u>\$38,976</u>	<u>\$645,000</u>	<u>\$389,350</u>	<u>\$330,000</u>	<u>\$116,900</u>	<u>\$1,971,129</u>	<u>\$1,739,986</u>

	<u>1996 Sewer Plant Loan</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2001	\$ 76,618	\$ 76,072	\$ 165,719	\$ 257,875
2002	79,838	72,852	175,124	249,520
2003	83,194	69,496	183,868	240,676
2004	86,692	66,000	193,968	231,378
2005	90,336	62,356	204,446	221,140
Subsequent	<u>1,430,963</u>	<u>401,341</u>	<u>3,968,291</u>	<u>1,832,740</u>
Total	<u>\$1,847,641</u>	<u>\$748,117</u>	<u>\$4,891,416</u>	<u>\$3,033,329</u>

**VILLAGE OF CARDINGTON
MORROW COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

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 \$360,871.

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, 2000

NOTE 8 - RETIREMENT SYSTEMS - (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2000, 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. During 2000, PERS instituted a temporary employer contribution rollback which required the Village to contribute 10.84% of covered payroll. The Village has paid all contributions required through December 31, 2000.

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 suits is not presently determinable, counsel believes that the resolution of these matters will not materially affect the Village's financial condition.

NOTE 11 - SUBSEQUENT EVENT

The Village is no longer conducting Mayor's Court. The Village has contracted with Morrow County to process and collect citations issued by its police force.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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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, 2000, and have issued our report thereon dated May 11, 2001. We conducted our audit in accordance with generally accepted auditing standards 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 2000-VOC-001, 2000-VOC-002, 2000-VOC-003, and 2000-VOC-004. We also noted certain immaterial instances of noncompliance, that we have reported to management of the Village of Cardington in a separate letter dated May 11, 2001.

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. Reportable conditions are described in the accompanying schedule of findings as items 2000-VOC-001, 2000-VOC-002, 2000-VOC-003, 2000-VOC-004, and 2000-VOC-005.

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, of the reportable conditions described above, we consider item 2000-VOC-004 to be 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 May 11, 2001.

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.
May 11, 2001

**VILLAGE OF CARDINGTON
MORROW COUNTY
DECEMBER 31, 2000**

SCHEDULE OF FINDINGS

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2000-VOC-001

Ohio Revised Code Sections 135.18 and 135.181 require that the Clerk/Treasurer must instruct depositories to provide as security an amount equal to the funds on deposit at all times.

The Village's depository was not providing collateral in excess of Federal Deposit Insurance Corporation (FDIC) amounts throughout fiscal year 2000.

The Village's deposits were not secured by additional collateral which could lead to a loss of those amounts deposited in excess of FDIC in the event of a bank closing.

We recommend that the Village adopt procedures for establishing depository agreements with all financial institutions, including collateralization of deposits. These procedures should be included in the Village's accounting policies and procedures manual. The Village has obtained additional collateral during 2001.

**VILLAGE OF CARDINGTON
MORROW COUNTY
DECEMBER 31, 2000**

SCHEDULE OF FINDINGS

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)	
Finding Number	2000-VOC-002

Ohio Revised Code Section 5705.39 in part requires that the total appropriations from each fund should not exceed total estimated resources.

It was noted during the audit that the total appropriations exceeded the total estimated resources for the following funds:

<u>Fund Type/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>SPECIAL REVENUE:</u>			
Street Construction, Maintenance and Repair	\$16,474	\$147,515	\$131,041
Drug Law Enforcement	1,260	1,500	240
COPS FAST	-	115,323	115,323
<u>ENTERPRISE:</u>			
Storm Sewer	97,274	375,000	277,726

With appropriations exceeding estimated resources, the Village is spending monies not lawfully appropriated for those purposes and this could cause a fund deficit.

We recommend that the Village comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring appropriations throughout the fiscal year and amending the estimated resources as necessary. We recommend that the Village monitor its budget on a continual basis throughout the year.

**VILLAGE OF CARDINGTON
MORROW COUNTY
DECEMBER 31, 2000**

SCHEDULE OF FINDINGS

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)	
Finding Number	2000-VOC-003

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 2000:

<u>Fund Type/Fund</u>	<u>Appropriations</u>	<u>Expenditures plus Encumbrances</u>	<u>Excess</u>
<u>GENERAL FUND:</u>			
Law Enforcement- Salaries	\$135,295	\$139,103	\$ 3,808
Leisure Time Activities- Capital Outlay	2,400	10,000	7,600
Mayor and Administrative Office- Transfer Out	-	80,000	80,000
Legislative Activities- Salaries	14,080	17,275	3,195
Contractual Services	59,660	153,455	93,795
Contingencies	4,100	4,592	492
<u>SPECIAL REVENUE:</u>			
Street Construction, Maintenance and Repair: Salaries	71,950	74,857	2,907
<u>EXPENDABLE TRUST:</u>			
Income Tax: Salaries	2,385	2,441	56

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.

**VILLAGE OF CARDINGTON
MORROW COUNTY
DECEMBER 31, 2000**

SCHEDULE OF FINDINGS

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)	
Finding Number	2000-VOC-004

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, 2000**

SCHEDULE OF FINDINGS

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)	
Finding Number	2000-VOC-005

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.

In May 2001, the Village is no longer hearing cases in a Mayor's Court. All new cases have been transferred to Morrow County Court and fines on these cases are collected by the County Court and are sent to the Village each month. The Village is continuing to collect fines and costs heard by the Village's Mayor's Court prior to May 2001 and continuing to make disbursements to the Village and the State as appropriate.

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.



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
JULY 24, 2001**