

VILLAGE OF CARDINGTON
MORROW COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Village of Cardington, Morrow County, prepared by Holbrook & Manter, 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 Auditors' 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 Auditors' 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. The Village of Cardington is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 24, 2007

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INDEPENDENT AUDITORS' REPORT

Village Council
Village of Cardington
Morrow County

We have audited the accompanying financial statements of the Village of Cardington, Morrow County, Ohio, (the Village) as of and for the years ended December 31, 2006 and 2005. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State of Ohio 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 they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State of Ohio permits, but does not require, governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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 Village as of December 31, 2006 and 2005, or its changes in financial position or cash flows of its proprietary funds 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 and reserves for encumbrances of the Village of Cardington, 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.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The Village 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 October 4, 2007 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 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 audit.



Certified Public Accountants

October 4, 2007

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, 2006

	<u>GOVERNMENTAL FUND TYPES</u>				<u>(Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Services</u>	<u>Capital Project</u>	<u>Total</u>
CASH RECEIPTS:					
Local taxes	\$ 293,537	\$ 60,198	\$ 0	\$ 0	\$ 353,735
Municipal income taxes	0	623,603	0	0	623,603
Intergovernmental	166,283	74,500	0	0	240,783
Charges for services	27	91,514	0	0	91,541
Special assessments	1,382	0	0	0	1,382
Fines, licenses, and permits	38,721	0	0	0	38,721
Earnings on investments	19,752	42,109	0	2,355	64,216
Miscellaneous	4,382	5,912	0	0	10,294
Total cash receipts	524,084	897,836	0	2,355	1,424,275
CASH DISBURSEMENTS:					
Current:					
Security of persons and property	322,323	89,393	0	0	411,716
Public health services	1,257	0	0	0	1,257
Leisure time activities	0	32,347	0	0	32,347
Community environment	13,849	0	0	0	13,849
Basic utility services	6,661	3,481	0	0	10,142
Transportation	4,478	312,968	0	0	317,446
General government	214,213	181,892	0	0	396,105
Capital outlay	38,400	2,760	0	0	41,160
Debt service					
Redemption of principal	7,333	0	50,324	0	57,657
Interest and other fiscal charges	407	0	7,820	0	8,227
Total cash disbursements	608,921	622,841	58,144	0	1,289,906
Total receipts over (under) cash disbursements	(84,837)	274,995	(58,144)	2,355	134,369
Other financing receipts (disbursements):					
Sale of fixed assets	400	11,500	0	0	11,900
Other financing sources	0	0	58,144	0	58,144
Transfers - in	160,000	334,600	0	0	494,600
Transfers - out	0	(649,600)	0	0	(649,600)
Total other financing receipts (disbursements)	160,400	(303,500)	58,144	0	(84,956)
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	75,563	(28,505)	0	2,355	49,413
Fund cash balances January 1, 2006	242,305	1,027,967	0	50,079	1,320,351
Fund cash balances, December 31, 2006	<u>\$ 317,868</u>	<u>\$ 999,462</u>	<u>\$ 0</u>	<u>\$ 52,434</u>	<u>\$ 1,369,764</u>
Reserve for encumbrances, December 31, 2006	<u>\$ 15,365</u>	<u>\$ 12,912</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 28,277</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 CHANGE IN
FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Proprietary Fund</u>	<u>Agency Fund</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Fiduciary</u>	
OPERATING CASH RECEIPTS:			
Charges for services	\$ 762,285	\$ 0	\$ 762,285
Total operating cash receipts	<u>762,285</u>	<u>0</u>	<u>762,285</u>
OPERATING CASH DISBURSEMENTS:			
Personal services	191,372	0	191,372
Employee fringe benefits	86,265	0	86,265
Contractual services	143,457	0	143,457
Supplies and materials	134,745	0	134,745
Total operating cash disbursements	<u>555,839</u>	<u>0</u>	<u>555,839</u>
Operating income	<u>206,446</u>	<u>0</u>	<u>206,446</u>
NON-OPERATING CASH RECEIPTS:			
Interest	19,975	0	19,975
Fines collected	0	31,938	31,938
Miscellaneous	7,089	0	7,089
Other financing sources	167,519	0	167,519
Total non-operating cash receipts	<u>194,583</u>	<u>31,938</u>	<u>226,521</u>
NON-OPERATING CASH DISBURSEMENTS:			
Capital outlay	(172,011)	0	(172,011)
Debt service			
Redemption of principal	(220,601)	0	(220,601)
Interest and other fiscal charges	(208,649)	0	(208,649)
Fines distributed	0	(32,549)	(32,549)
Total non-operating cash disbursements	<u>(601,261)</u>	<u>(32,549)</u>	<u>(633,810)</u>
Excess of receipts over disbursements before interfund transfers and advances	(200,232)	(611)	(200,843)
Transfers-in	155,000	0	155,000
Transfers-out	0	0	0
Net receipts over disbursements	(45,232)	(611)	(45,843)
Fund cash balances, January 1, 2006	<u>521,640</u>	<u>2,868</u>	<u>524,508</u>
Fund cash balances, December 31, 2006	<u>\$ 476,408</u>	<u>\$ 2,257</u>	<u>\$ 478,665</u>
Reserve for encumbrances, December 31, 2006	<u>\$ 24,914</u>	<u>\$ 0</u>	<u>\$ 24,914</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 GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	GOVERNMENTAL FUND TYPES				(Memorandum Only)
	General	Special Revenue	Debt Services	Capital Project	Total
CASH RECEIPTS:					
Local taxes	\$ 285,162	\$ 60,043	\$ 0	\$ 0	\$ 345,205
Municipal income taxes	0	863,632	0	0	863,632
Intergovernmental	42,055	67,015	0	0	109,070
Charges for services	82	90,949	0	0	91,031
Special assessments	8,078	0	0	0	8,078
Fines, licenses, and permits	41,011	0	0	0	41,011
Interest	13,964	28,280	0	1,486	43,730
Miscellaneous	6,000	9,448	0	0	15,448
Total cash receipts	396,352	1,119,367	0	1,486	1,517,205
CASH DISBURSEMENTS:					
Current:					
Security of persons and property	275,540	161,637	0	0	437,177
Public health services	1,109	0	0	0	1,109
Leisure time activities	0	4,712	0	0	4,712
Community environment	3,544	0	0	0	3,544
Basic utility services	7,021	3,392	0	0	10,413
Transportation	56,800	221,003	0	0	277,803
General government	197,987	163,002	0	0	360,989
Debt service					
Redemption of principal	7,135	105,352	27,922	0	140,409
Interest and other fiscal charges	605	8,410	10,223	0	19,238
Total cash disbursements	549,741	667,508	38,145	0	1,255,394
Total receipts over (under) cash disbursements	(153,389)	451,859	(38,145)	1,486	261,811
Other financing receipts (disbursements):					
Transfers - in	236,100	209,000	0	0	445,100
Transfers - out	(4,775)	(660,700)	0	0	(665,475)
Other financing sources	0	0	38,145	0	38,145
Total other financing receipts (disbursements)	231,325	(451,700)	38,145	0	(182,230)
Excess of cash receipts and other financing receipts over cash disbursements and other financing disbursements	77,936	159	0	1,486	79,581
Fund cash balances January 1, 2005	164,369	1,027,808	0	48,593	1,240,770
Fund cash balances, December 31, 2005	\$ 242,305	\$ 1,027,967	\$ 0	\$ 50,079	\$ 1,320,351
Reserve for encumbrances, December 31, 2005	\$ 23,215	\$ 5,547	\$ 0	\$ 0	\$ 28,762

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 CHANGE IN
FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES-
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Proprietary Fund</u>	<u>Agency Fund</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Fiduciary</u>	
OPERATING CASH RECEIPTS:			
Charges for services	\$ 661,350	\$ 0	\$ 661,350
Total operating cash receipts	<u>661,350</u>	<u>0</u>	<u>661,350</u>
OPERATING CASH DISBURSEMENTS:			
Personal services	181,237	0	181,237
Employee fringe benefits	85,623	0	85,623
Contractual services	316,219	0	316,219
Supplies and materials	95,659	0	95,659
Other	346	0	346
Total operating cash disbursements	<u>679,084</u>	<u>0</u>	<u>679,084</u>
Operating income	<u>(17,734)</u>	<u>0</u>	<u>(17,734)</u>
NON-OPERATING CASH RECEIPTS:			
Intergovernmental revenues	14,904	0	14,904
Interest	10,481	0	10,481
Fines collected	0	37,300	37,300
Miscellaneous	15,191	0	15,191
Other financing sources	138,710	0	138,710
Sale of notes	68,000	0	68,000
Total non-operating cash receipts	<u>247,286</u>	<u>37,300</u>	<u>284,586</u>
NON-OPERATING CASH DISBURSEMENTS:			
Capital outlay	(119,339)	0	(119,339)
Debt service			
Redemption of principal	(241,683)	0	(241,683)
Interest and other fiscal charges	(204,684)	0	(204,684)
Fines distributed	0	(37,346)	(37,346)
Total non-operating cash disbursements	<u>(565,706)</u>	<u>(37,346)</u>	<u>(603,052)</u>
Excess of receipts over disbursements before interfund transfers and advances	(336,154)	(46)	(336,200)
Transfers-in	223,775	0	223,775
Transfers-out	(3,400)	0	(3,400)
Net receipts over disbursements	(115,779)	(46)	(115,825)
Fund cash balances, January 1, 2005	<u>637,419</u>	<u>2,914</u>	<u>640,333</u>
Fund cash balances, December 31, 2005	<u>\$ 521,640</u>	<u>\$ 2,868</u>	<u>\$ 524,508</u>
Reserve for encumbrances, December 31, 2005	<u>\$ 59,918</u>	<u>\$ 0</u>	<u>\$ 59,918</u>

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, 2006 AND 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

- A. **Description of the Entity** - The Village of Cardington, Morrow County, Ohio, (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 general governmental services, including 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** - The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively. The Village values certificates of deposit and repurchase agreements at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

- 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:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

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

Street Construction, Maintenance and Repair Fund

This fund receives gasoline tax, motor vehicle tax money and municipal income taxes for constructing, maintaining and repairing Village streets.

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, individuals, employee withholdings, and restraints. The funds are to be used for administration of the tax, street lighting, road and street repair, resurfacings, curb construction, and storm sewer maintenance and repair, or for an emergency purpose.

**VILLAGE OF CARDINGTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Debt Service Funds

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 proceeds from the General Fund and is used to pay off debt in connection with a swimming pool.

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:

3rd Street Storm Sewer Fund

The proceeds from this fund are being used to renovate the 3rd street sewer.

Enterprise Funds

These funds are used to 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.

Water Distribution Upgrade Fund

This fund receives grant proceeds from the Ohio Public Works Commission for future water line upgrades.

Fiduciary 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.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, or object level of control, and appropriations may not exceed estimated resources. The Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

**VILLAGE OF CARDINGTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The Morrow County Budget Commission must also approve estimated resources.

Encumbrances

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

A summary of 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 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.

NOTE 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 was as follows:

	2006	2005
Demand deposits	\$ 57,257	\$ 57,868
Star Ohio Investments	962,369	0
Repurchase agreement	828,803	1,786,991
Total investments and deposits	\$ 1,848,429	\$ 1,844,859

Deposits - The Village's deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village.

Investments - The Village maintains a repurchase agreement with their financial institution. The agreement allows the financial institution to invest excess funds in a repurchase agreement account. The Village's financial institution provides securities to collateralize the repurchase agreements. The securities are not held in the Village's name. In addition, the investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF CARDINGTON
MORROW COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE 3 - BUDGETARY ACTIVITY:-

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

2006 Budgeted VS. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 309,000	\$ 684,484	\$ 375,484
Special Revenue	1,099,830	1,243,936	144,106
Debt Service	0	58,144	58,144
Capital Project	1,030	2,355	1,325
Enterprise	785,250	1,111,868	326,618
Agency	<u>0</u>	<u>31,938</u>	<u>31,938</u>
Total	<u>\$ 2,195,110</u>	<u>\$ 3,132,725</u>	<u>\$ 937,615</u>

2006 Budgeted VS. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 717,480	\$ 624,286	\$ 93,194
Special Revenue	1,539,452	1,285,353	254,099
Debt Service	38,145	58,144	(19,999)
Capital Projects	0	0	0
Enterprise	1,318,277	1,182,014	136,263
Agency	<u>0</u>	<u>32,549</u>	<u>(32,549)</u>
Total	<u>\$ 3,613,354</u>	<u>\$ 3,182,346</u>	<u>\$ 431,008</u>

Contrary to Ohio Revised Code 5705.36, for 2006 the Village did not amend the certification during the year for sources which were available for expenditures from each fund. Therefore, the appropriation measure adopted by the Village Council in accordance with Ohio Revised Code 5705.39 was not effective. In addition, this caused the appropriations to exceed actual resources available during 2006.

Contrary to Ohio Revised Code 5705.41, the Village did not properly appropriate the total amount of expenditures, in turn the budgetary expenditures exceeded the appropriation authority as of December 31, 2006 in the Debt Service Funds by \$19,999.

**VILLAGE OF CARDINGTON
MORROW COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE 3 - BUDGETARY ACTIVITY:- (continued)

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

2005 Budgeted VS. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 623,050	\$ 632,452	\$ 9,402
Special Revenue	1,260,300	1,328,367	68,067
Debt Service	0	38,145	38,145
Capital Project	1,000	1,486	486
Enterprise	1,078,000	1,132,411	54,411
Agency	<u>0</u>	<u>37,300</u>	<u>37,300</u>
Total	<u>\$ 2,962,350</u>	<u>\$ 3,170,161</u>	<u>\$ 207,811</u>

2005 Budgeted VS. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 684,519	\$ 577,731	\$ 106,788
Special Revenue	1,439,440	1,333,755	105,685
Debt Service	38,500	38,145	355
Capital Projects	0	0	0
Enterprise	1,422,540	1,308,108	114,432
Agency	<u>0</u>	<u>37,346</u>	<u>(37,346)</u>
Total	<u>\$ 3,584,999</u>	<u>\$ 3,295,085</u>	<u>\$ 289,914</u>

Contrary to Ohio Revised Code 5705.36, for 2005 the Village did not properly amend the certification during the year for sources which were available for expenditures from each fund. Therefore, the appropriation measure adopted by the Village Council in accordance with Ohio Revised Code 5705.39 was not effective. In addition, this caused the appropriations to exceed actual resources available during 2005.

**VILLAGE OF CARDINGTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

NOTE 4 - PROPERTY TAX:-

Real property taxes become a lien on January 1, preceding the October 1 date for which rates are adopted by the Village Council. The State Council of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

NOTE 5 - LOCAL INCOME TAX:-

The Village levies a municipal income tax of one (1.00) 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.

The Village has contracted with the Regional Income Tax Authority (RITA) to begin collecting municipal income taxes on behalf of the Village, starting on January 1st, 2006. RITA collects all Village income taxes and forwards these collections to the Village monthly. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

NOTE 6 - DEBT:-

Debt outstanding at December 31, 2006 was as follows:

	<u>Rate</u>	<u>Principal Balance 12/31/2006</u>
1978 Ohio Water Development Authority Loan	5.25%	\$ 60,563
1996 Ohio Water Development Authority Loan	4.16%	1,236,811
1996 Ohio Water Development Authority Loan	6.49%	1,655,576
1977 GMAC Loan	5.00%	190,000
1991 GMAC Loan	5.00%	512,000
2004 Police Cruisers Note	2.75%	7,532
2001 Swimming Pool Bonds	5.37%	116,132
2005 Well Site Land Loan	3.10%	<u>45,674</u>
		<u>\$ 3,824,288</u>

**VILLAGE OF CARDINGTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

NOTE 6 - DEBT:- (continued)

The Ohio Water Development Authority (OWDA) loans relate to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA approved up to \$4,341,770 in loans to the Village for this project. The loans are being repaid in semiannual installments including interest, over 20, 25, and 40 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. As of December 31, 2006, the outstanding principal balance on these loans amounted to \$2,952,950.

The GMAC loans relate to water and sewer plant improvement projects. The loans will be repaid in semiannual installments including interest, over 30-35 years. The loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover GMAC debt service requirements. As of December 31, 2006, the outstanding balance on these loans was \$702,000.

During 2002, the Village issued a note for the purpose of purchasing a new fire truck. The loan will be repaid in 5 annual payments including interest beginning in 2003. The Village repaid this loan in 2005.

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 an other financing source in the debt service fund. The outstanding balance as of December 31, 2006 is \$116,132.

During 2003, the Village entered into a loan agreement with OWDA for the purpose of planning and designing future water line and sewer system expansions. The loan was repaid in full in 2005.

During 2004, the Village entered into a loan agreement with OWDA for the purpose of planning and designing future water line and sewer system expansions. The loan was repaid in full in 2005.

During 2004, the Village issued a note for the purpose of purchasing two police vehicles. The loan will be repaid in 3 annual payments including interest beginning in 2005 and ending in 2008. The outstanding balance on the loan as of December 31, 2006 is \$7,532.

During 2005, the Village issued a note for the purchase of land for a well site. The land is 17.50 acres in Richland Township. The loan is a four year loan with Farmer's Citizens bank with an interest rate of 3.10% and had an outstanding balance of \$45,674 at December 31, 2006.

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

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 271,993	\$ 203,590	\$ 475,583
2008	279,050	190,093	469,143
2009	293,266	175,978	469,244
2010 - 2014	1,323,238	669,347	1,992,585
2014 - 2019	1,224,016	320,976	1,544,992
2019 - 2024	432,725	48,143	480,868
	<u>\$ 3,824,288</u>	<u>\$ 1,608,127</u>	<u>\$ 5,432,415</u>

**VILLAGE OF CARDINGTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

NOTE 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 2006 and 2005, participants contributed 10% of their salaries to OP&F. The Village contributed an amount equal to 19.50% of police participants' wages. For 2006 and 2005, PERS members contributed 9.0% and 8.5% of their gross salaries, respectively. The Village contributed an amount equal to 13.70% and 13.55% of participants' gross salaries for 2006 and 2005, respectively. The Village has paid all contributions required through December 31, 2006.

NOTE 8 - RISK MANAGEMENT:-

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is 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 coverages, 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 issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool's audited financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Assets	\$ 9,620,148	\$ 8,219,430
Liabilities	(3,329,620)	(2,748,639)
Members' equity	<u>\$ 6,290,528</u>	<u>\$ 5,470,791</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.



**Independent Accountants' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Required by Government Auditing Standards**

Village Council
Village of Cardington
Morrow County

We have audited the financial statements of the Village of Cardington, Morrow County, Ohio (the Village), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated October 4, 2007, wherein we noted the Village had followed accounting practices the Auditor of State of Ohio prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of 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 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 Village'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 Village'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 findings to be a significant deficiency in internal control over financial reporting as item 2006-001.

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

Our consideration of 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 deficiencies described above are a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated October 4, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Government'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 audit and accordingly, we do not express an opinion. . The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2006-002, 2006-003, 2006-004, 2006-005, and 2006-006.

We did note certain noncompliance or other matters that we reported to the Government's management in a separate letter dated October 4, 2007.

We intend this report solely for the information and use of the audit committee, management, and the Village Council. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Shulbrook & Manton". The signature is written in a cursive, flowing style.

Certified Public Accountants

October 4, 2007

**VILLAGE OF CARDINGTON
MORROW COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

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

Finding Number	2006-001
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Significant Deficiency – Internal Control and Review Procedures

Although the Council Members receive and review a select number of reports from the Fiscal Officer of the Village for approval on a monthly basis, the Village has not established formal procedures to reasonably assure completeness, and accuracy of the monthly reporting. During our testing and analysis, we noted that the Village Council is not reviewing the numerical check sequence prior to signing the checks. In addition, they are not reviewing the bank statement for proper inclusion of authorized expenditures within the cancelled checks or electronic fund withdraws.

The Village should carefully review this information and make appropriate inquires to help determine the integrity of the financial information. When performing such review, the officials' signatures or initials and the date should be affixed to the documents examined and it should be noted in the monthly minutes that the officials' thoroughly reviewed and approved those documents. In addition, we also recommend that the numerical check sequence be noted in the minutes and signed off of by the Council each month.

Officials' Response

The Village's Fiscal Officer is now providing a list of checks monthly to the Council for their review and signatures.

Finding Number	2006-002
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Noncompliance Citation – Prior Certification of Expenditures

Ohio Revised Code, Section 5705.41 (D) requires that no orders or contracts involving the expenditures 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.

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

We recommend that the Village implement a policy and procedure for contracts involving the expenditure of money be timely certified to insure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. The Village should issue approved purchase orders and consider using blanket and super blanket purchase orders and/or "Then and Now" certificates where applicable.

Officials' Response

During 2007, the Village implemented a new procedure for purchase orders that encumbers funds prior to purchase.

**VILLAGE OF CARDINGTON
MORROW COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	2006-003
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Noncompliance Citation - Rubber Stamp Signatures

Under Ohio Revised Code Sections 9.10, 9.11 and 1306.06 and OAG Opinion 90-082, the fiscal officer need not manually sign each certification (i.e., purchase order, “then-and-now” certificate, and “blanket” purchase orders). Electronic or mechanical signatures are permissible. However, ORC Section 9.10 expressly prohibits using rubber stamp signatures.

During our audit procedures, we noted that the Fiscal Officer uses a rubber stamp signature. We recommend that the Village discontinue the use of rubber stamp signatures and consider other alternatives such as electronic or mechanical signatures.

Officials’ Response

Rubber stamps are no longer being used in the Village.

Finding Number	2006-004
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Noncompliance Citation – Amending or Supplementing Appropriations

Ohio Revised Code, Section 5705.40, states that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are 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 may be made by resolution or ordinance from one appropriation item to another.

During our compliance testing procedures, we noted that the Village properly amended and supplemented appropriations internally, but did not certify the amended appropriations with the county budget commission. We recommend that the Village submit any amendments to the county for approval.

Officials’ Response

Amended and supplemented appropriations are now being filed with the County Auditor in a timely manner.

Finding Number	2006-005
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Noncompliance Citation – Amending Certificates of Estimated Resources

Ohio Revised 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. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation. The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

During our compliance testing, we noted that the Village did not amend estimated resources as outlined above. We recommend that the Fiscal Officer monitor estimated resources throughout the year and obtain amendments from the county budget commission as necessary.

Officials’ Response

The certificates of estimated resources are now being filed in a timely manner.

**VILLAGE OF CARDINGTON
MORROW COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	2006-006
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Noncompliance Citation – Appropriations Exceeding Estimated Resources

Ohio Revised Code, Section 5705.39, states that the total appropriation from each fund should not exceed the total estimated revenue as certified by the county budget commission. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The Village’s appropriations exceeded estimated resources as of December 31, 2006 and 2005, as outlined in Note 3 of the financial statements.

We recommend the Village Council and Fiscal Officer periodically review the Village’s appropriations versus certified estimated resources to identify and investigate any variances and to help monitor legal compliance. The Village officials should ensure that the Village has properly prepared and submitted all required budgetary documents to the county auditor. Also, each time appropriations are adopted or amended, the Village should ensure the certificate of the County Auditor is received indicating appropriations do not exceed certified resources.

Officials’ Response

When supplemental appropriations are approved by the Village Council the Fiscal Officer is filing the appropriate paperwork with the County Auditor.

VILLAGE OF CARDINGTON
MORROW COUNTY
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2004-001	ORC 5705.41 (D) - Failure to properly use fiscal certificates	No	Not Corrected. Reported as finding 2006-002.
2004-002	Conversion of Advances to Transfers	Yes	The Village transferred \$50,000 back to the Income Tax Fund.
2004-003	ORC 5705.38 - Annual Appropriation Measure	Yes	The Village adoption an appropriation resolution for both years.
2004-004	ORC 5705.39 - Appropriations Exceeding Estimated Resources	No	Not Corrected. Reported as finding 2006-006.
2004-005	ORC 5705.40 - Amending or Supplementing Appropriations	No	Not Corrected. Reported as finding 2006-004.
2004-006	ORC 5705.36 - Amending Certificates of Estimated Resources	No	Not Corrected. Reported as finding 2006-005.
2004-007	ORC 135.18 and 135.181 - Security for Repayment of Public Deposits	Yes	During the audit period, the Village had properly insured or collateralized all deposits.
2004-008	ORC 9.10, 9.11, and 1306.06 - Rubber Stamp Signatures	No	Not Corrected. Reported as finding 2006-003.
2004-009	Income Tax Collection and Enforcement Policies	Yes	During 2006, the Village used RITA to collect income tax. See Note 5.



Mary Taylor, CPA
Auditor of State

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
JANUARY 10, 2008**