



**CARDINGTON COMMUNITY IMPROVEMENT CORPORATION
MORROW COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2010-2009



Dave Yost • Auditor of State

**CARDINGTON COMMUNITY IMPROVEMENT CORPORATION
MORROW COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Cardington Community Improvement Corporation
Morrow County
P.O. Box 31
Cardington, OH 43315-0031

To the Board of Trustees:

We have audited the accompanying statements of financial position of the Cardington Community Improvement Corporation, Morrow County, (the Corporation) as of December 31, 2010 and 2009, and the related statements of activities and cash flows which collectively comprise the Corporation's financial statements listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present, fairly, in all material respects, the financial position of the Cardington Community Improvement Corporation, Morrow County, Ohio as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2011, on our consideration of the Corporation'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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 19, 2011

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**CARDINGTON COMMUNITY IMPROVEMENT CORPORATION
MORROW COUNTY**

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009**

| Assets: | <u>2010</u> | <u>2009</u> |
|--------------------------------------|--------------------------|--------------------------|
| Cash and Cash Equivalents | \$ 300,852 | \$ 370,117 |
| Accounts Receivable | 11,066 | 9,316 |
| Loans Receivable | 93,229 | 92,260 |
| | <u>405,147</u> | <u>471,693</u> |
| Property & Equipment | | |
| Land | 33,255 | 33,255 |
| Buildings | 364,840 | 364,840 |
| Less: Accumulated Depreciation | (93,839) | (84,580) |
| Net Property and Equipment | <u>304,256</u> | <u>313,515</u> |
| Total Assets | <u>\$ 709,403</u> | <u>\$ 785,208</u> |
| Current Liabilities | | |
| Deferred Revenue | \$ - | \$ 1,500 |
| Notes Payable-Current Portion | - | 5,034 |
| Long Term Liabilities | | |
| Notes Payable-Long Term Portion | <u>-</u> | <u>81,331</u> |
| Total Liabilities | <u>-</u> | <u>87,865</u> |
| Net Assets: | | |
| Unrestricted Net Assets | <u>709,403</u> | <u>697,343</u> |
| Total Liabilities and Net Assets | <u>\$ 709,403</u> | <u>\$ 785,208</u> |

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

**CARDINGTON COMMUNITY IMPROVEMENT CORPORATION
MORROW COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

| Operating Revenue: | <u>2010</u> | <u>2009</u> |
|--|--------------------------|--------------------------|
| Rental Income | \$ 43,125 | \$ 49,129 |
| Other Revenue | 60 | 60 |
| | <hr/> | <hr/> |
| Total Operating Revenue | 43,185 | 49,189 |
| | <hr/> | <hr/> |
| Operating Expenses: | | |
| General | \$ 17,373 | \$ 17,303 |
| Contracted Services | 4,266 | 16,695 |
| Depreciation | 9,259 | 8,088 |
| | <hr/> | <hr/> |
| Total Operating Expenses | 30,898 | 42,086 |
| | <hr/> | <hr/> |
| Net Operating Income | 12,287 | 7,103 |
| | <hr/> | <hr/> |
| Non Operating Revenues and Expenses | | |
| Loan Interest | \$ 3,167 | \$ 2,534 |
| Earnings on Investments | 240 | 535 |
| Interest Expense | (3,634) | (4,456) |
| Net Non Operating Revenues and Expenses | <hr/> (227) <hr/> | <hr/> (1,387) <hr/> |
| Increase in Net Assets | 12,060 | 5,716 |
| Net Assets, Beginning of Year | <hr/> 697,343 <hr/> | <hr/> 691,627 <hr/> |
| Net Assets, End of Year | <u><u>\$ 709,403</u></u> | <u><u>\$ 697,343</u></u> |

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

**CARDINGTON COMMUNITY IMPROVEMENT CORPORATION
MORROW COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009**

| | <u>2010</u> | <u>2009</u> |
|---|--------------------------|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash Received from Rentals | \$39,875 | \$43,615 |
| Cash Received from Loan Principal | 7,032 | 4,510 |
| Cash Received from Other Sources | 60 | 60 |
| Cash Payments for Goods and Services | <u>(29,640)</u> | <u>(84,000)</u> |
| NET CASH PROVIDED/USED BY OPERATING ACTIVITIES | <u>17,327</u> | <u>(35,815)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Earnings on Investments | <u>240</u> | <u>535</u> |
| CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Cash received from Loan Interest Payments | 3,167 | 2,534 |
| Cash payments for Loan Principal and Interest | <u>(89,999)</u> | <u>(9,490)</u> |
| NET CASH USED BY NON-CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(86,832)</u> | <u>(6,956)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Purchase of Assets | <u>0</u> | <u>(27,875)</u> |
| NET DECREASE IN CASH | (69,265) | (70,111) |
| CASH, BEGINNING OF YEAR | <u>370,117</u> | <u>440,228</u> |
| CASH, END OF YEAR | <u><u>\$ 300,852</u></u> | <u><u>370,117</u></u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Operating Income | \$ 12,287 | \$ 7,103 |
| Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation | 9,259 | 8,088 |
| Increase in Loans Receivable | (969) | (41,690) |
| Increase in Accounts Receivable | (1,750) | (9,316) |
| Decrease in Deferred Revenue | <u>(1,500)</u> | <u>0</u> |
| NET CASH PROVIDED/USED BY OPERATING ACTIVITIES | <u><u>\$ 17,327</u></u> | <u><u>\$ (35,815)</u></u> |

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

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**CARDINGTON COMMUNITY IMPROVEMENT CORPORATION
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

1. Nature of Activities and Summary of Significant Accounting Policies

A. Description of the Entity

The Cardington Community Improvement Corporation (the Corporation) was incorporated in 1964. The Corporation is a nonprofit entity which was formed for the purpose of advancing, encouraging, and promoting the industrial, economic, commercial, and civic development of the Village of Cardington, Ohio and the surrounding area. The Board of Trustees is made up of local business owners, Village Council Members, a School Board Member, and a banker.

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

B. Accounting Basis

The financial statements of the Corporation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2010 and December 31, 2009, net assets are unrestricted.

D. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Property and Depreciation

Acquisitions of property in excess of \$500 are capitalized. Land, buildings, and improvements are carried at cost. Depreciation is computed using the straight-line method over a useful life of 50 years for buildings and 27.5 to 30 years for improvements.

F. Income Taxes

The Corporation is a not-for-profit organization that is exempt from Federal and State income taxes under Internal Revenue Code Section 501(c)(3) and Chapters 1702 and 1724 of the Ohio Revised Code.

**CARDINGTON COMMUNITY IMPROVEMENT CORPORATION
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

2. Deposits and Investments

The Corporation's carrying amount of deposits and investments at December 31 was as follows:

| | | |
|--------------------------------|------------------|------------------|
| | 2010 | 2009 |
| Demand deposits | \$132,447 | \$119,512 |
| American Funds | 168,405 | 250,605 |
| Total deposits and investments | <u>\$300,852</u> | <u>\$370,117</u> |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

Investments: Investments are reported at fair value. As of December 31, 2010 and 2009, the Corporation had invested in money market funds with American Funds. The Corporation's money market funds were with the American Funds Money Market Fund, which is a Class A fund.

3. Property and Equipment

A summary of Property and Equipment at December 31 follows:

| | Balance at 12/31/08 | 2009 Activity | Balance at 12/31/09 | 2010 Activity | Balance at 12/31/10 |
|--------------------------------|------------------------|------------------|------------------------|------------------|------------------------|
| Land & Buildings/Improvements | \$370,220 | \$27,875 | \$398,095 | \$0 | \$398,095 |
| Less: Accumulated Depreciation | (76,492) | (8,088) | (84,580) | (9,259) | (93,839) |
| Net Property and Equipment | <u>\$293,728</u> | <u>\$19,787</u> | <u>\$313,515</u> | <u>(\$9,259)</u> | <u>\$304,256</u> |

4. Fair Value of Loans Receivable

The Corporation believes that the fair value of its loans receivable approximates their carrying value.

5. Debt

Debt outstanding at December 31, 2010 and 2009 were as follows:

| | Balance at 12/31/08 | 2009 Activity | Balance at 12/31/09 | 2010 Activity | Balance at 12/31/10 |
|-----------------|------------------------|------------------|------------------------|------------------|------------------------|
| Promissory Note | 91,399 | (5,034) | 86,365 | (86,365) | 0 |

The \$100,000 Promissory Note bears an interest rate of 5 percent and is due to the Farmers Citizens Bank. The note was entered into on February 26, 2007 and matures on February 26, 2021. The proceeds of the note were used to purchase a new property to further the Corporation's purpose of fostering economic development. The Corporation paid off the promissory note in 2010.

**CARDINGTON COMMUNITY IMPROVEMENT CORPORATION
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

6. Risk Management

Commercial Insurance

The Corporation has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Errors and omissions.

7. Litigation

The Corporation is the plaintiff in one lawsuit. The Corporation loaned \$50,000 to a local business in 2009. The business stopped making payments on this loan in April 2010 leaving a remaining loan balance of \$48,376.53. This matter is currently pending in the Morrow County Court of Common Pleas. The complaint was filed on April 21, 2011 requesting judgment against the defendants in the amount of \$50,000 plus interest from November 16, 2009 at the rate of 5% per annum. Although management cannot presently determine the outcome of this suit, management believes that the resolution of these matters will not materially adversely affect the Corporation's financial condition.

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INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Cardington Community Improvement Corporation
Morrow County
P.O. Box 31
Cardington, Ohio 43315

To the Board of Trustees:

We have audited the financial statements of the Cardington Community Improvement Corporation, Morrow County, (the Corporation) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated July 19, 2011. 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 Corporation's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Corporation's internal control over financial reporting.

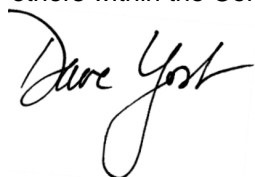
Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Corporation'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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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



Dave Yost
Auditor of State

July 19, 2011

**CARDINGTON COMMUNITY IMPROVEMENT CORPORATION
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

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

FINDING NUMBER 2010-001

Material Weakness

The Corporation currently has monitoring controls over daily cash-basis transactions entered into the accounting system. At year-end, the cash basis information from the manual ledgers is converted into accrual statements by an outside consultant to prepare basic financial statements.

Three audit adjustments in 2009 (totaling \$14,845) and four audit adjustments (totaling \$77,278) in 2010 were made to the Corporation's basic financial statements presented to accurately reflect account balances reported under generally accepted accounting principles. Errors included incorrect revenue and expense amounts reported, incorrect capital asset balances and annual depreciation amounts, outstanding receivable amounts at year end were not reported, and earnings on investments were not reported. In addition the cash flows statement for 2010 and 2009 did not properly report the actual cash transactions for both years. The Corporation's financial statements and accounting records have been adjusted to accurately reflect these adjustments and reclassifications.

Although the consultant prepares the basic financial statements, management is responsible for the presentation of the basic financial statements and accordingly should implement review procedures and controls over the financial statement preparation and reporting process.

We recommend the Corporation implement additional procedures to provide assurances over the completeness and accuracy of the financial information reported within the financial statements. Such procedures may include review of the financial statements by a member of management and an analytical comparison of the current year financial statements to the prior year financial statements for obvious errors or omissions.

We did not receive an officials' response to the finding denoted above.

**CARDINGTON COMMUNITY IMPROVEMENT CORPORATION
MORROW COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|----------------------------------|------------------|--|
| 2008-001 | Financial Reporting – GAAP Basis | No | Not Corrected – See Finding 2010-001 |



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CARDINGTON COMMUNITY IMPROVEMENT CORPORATION

MORROW COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 11, 2011**