



**Auditor of State
Betty Montgomery**

HIGHLAND COMMUNITY PARK DISTRICT
MORROW COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Highland Community Park District
Morrow County
3627 Ruggles Road
Fredericktown, Ohio 43019

To the Board of Park Commissioners:

We have audited the accompanying financial statements of the Highland Community Park District, Morrow County, Ohio, (the District) as of and for the years ended December 31, 2003, and December 31, 2002. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the District prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the District as of December 31, 2003, and December 31, 2002, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2004, on our consideration of the District'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 management, the Board of Park Commissioners, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 4, 2004

**HIGHLAND COMMUNITY PARK DISTRICT
MORROW COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Type</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
Investment Income	\$218	\$0	\$218
Gifts and Donations	26,327	0	26,327
Fees	50	0	50
Sales	13,051	0	13,051
Other Receipts	30	0	30
	<u>39,676</u>	<u>0</u>	<u>39,676</u>
Total Cash Receipts			
	<u>39,676</u>	<u>0</u>	<u>39,676</u>
Cash Disbursements:			
Current:			
Supplies	888	0	888
Materials	1,247	0	1,247
Equipment	252	0	252
Maintenance	4,144	0	4,144
Contracts - Services	7,027	0	7,027
Rentals	150	0	150
Advertising and Printing	489	0	489
Utilities	1,730	0	1,730
Capital Outlay	18,464	0	18,464
Other	578	0	578
	<u>34,969</u>	<u>0</u>	<u>34,969</u>
Total Cash Disbursements			
	<u>34,969</u>	<u>0</u>	<u>34,969</u>
Total Receipts Over Disbursements	4,707	0	4,707
Fund Cash Balances, January 1	<u>39,484</u>	<u>250</u>	<u>39,734</u>
Fund Cash Balances, December 31	<u>\$44,191</u>	<u>\$250</u>	<u>\$44,441</u>

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

**HIGHLAND COMMUNITY PARK DISTRICT
MORROW COUNTY**

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

	<u>Governmental Fund Type</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
Grants	\$0	\$250	\$250
Investment Income	989	0	989
Gifts and Donations	3,054	0	3,054
Fees	100	0	100
Sales	5,148	0	5,148
Other Receipts	260	0	260
Refunds	10,793	0	10,793
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	20,344	250	20,594
Cash Disbursements:			
Current:			
Supplies	40	0	40
Contracts - Services	11,908	0	11,908
Rentals	49	0	49
Advertising and Printing	508	0	508
Utilities	867	0	867
Capital Outlay	28,700	55,782	84,482
Other	259	0	259
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	42,331	55,782	98,113
Total Receipts(Under) Disbursements	(21,987)	(55,532)	(77,519)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	61,471	55,782	117,253
Fund Cash Balances, December 31	<u><u>\$39,484</u></u>	<u><u>\$250</u></u>	<u><u>\$39,734</u></u>

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

**HIGHLAND COMMUNITY PARK DISTRICT
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Highland Community Park District, Morrow County, Ohio (the District) 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 District is directed by a seven-member Board of Commissioners appointed by each of the following entities: Chester Township, Bennington Township, South Bloomfield Township, Highland School Board, Village of Chesterville, Village of Marengo and Village of Sparta. The District acquires lands to construct, maintain and operate a recreational and/or activity center to educate the public as to health benefits of sports, exercise and especially baseball; to promote and educate the public especially children, in all aspects of sport safety; and to encourage the establishment, organization and development of recreational facilities by public authorities.

The District's management believes these financial statements present all activities for which the District 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. Fund Accounting

The District uses fund accounting to segregate cash that is restricted as to use. The District classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Capital Projects Fund

This fund is 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 District had the following significant Capital Projects Fund:

Capital Improvement Fund - This fund received local grant proceeds to construct exercise stations along the District's walking paths.

**HIGHLAND COMMUNITY PARK DISTRICT
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund or function level of control, and appropriations may not exceed estimated resources. Appropriation authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1.

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. The District did not use the encumbrance method of accounting.

The District did not adopt appropriations or estimated revenue for 2002 as required by Ohio Revised Code. Accordingly, all 2002 expenditures violated budgetary requirements. As a result, a summary of budgetary activity is presented in Note 3 for 2003 only.

E. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH

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

	<u>2003</u>	<u>2002</u>
Demand deposits	\$44,441	\$39,734

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

**HIGHLAND COMMUNITY PARK DISTRICT
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2003 is as follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$6,600	\$39,676	\$33,076
Capital Projects	0	0	0
Total	\$6,600	\$39,676	\$33,076

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$41,845	\$34,969	\$6,876
Capital Projects	250	0	250
Total	\$42,095	\$34,969	\$7,126

4. RISK MANAGEMENT

The District has obtained commercial insurance for comprehensive property and general liability.

5. RELATED PARTY TRANSACTIONS

Jack Fishburn, a Park Commissioner, is owner of Fishburn Services from which the District acquired construction services during 2003 and 2002 for \$3,325 and \$30,000, respectively. The District also acquired trucking services from JR Young Trucking owned by Commissioner Vickie Young's husband during 2002 for \$3,502.

6. SALES

The District has contracted with an individual to operate a concession stand on District premises. Under the contract, the District receives a percentage of concession profits as reported by the concession operator. The amount reported as Sales revenue by the District is the amount the District received from the operator each year. During 2003, the District received payment for 2002 (\$3,611) and 2003 (\$8,176) contracts. During 2002, the District received payment for the 2001 (\$5,148) contract.

7. REFUNDS

This represents refunds of expenditures received by the Park District. During 2002, the Park District received a one time \$10,793 refund of expenditures, due to an overpayment made to Fishburn Services during the previous year.

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**Auditor of State
Betty Montgomery**

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

Highland Community Park District
Morrow County
3627 Ruggles Road
Fredericktown, Ohio 43019

To the Board of Park Commissioners:

We have audited the accompanying financial statements of Highland Community Park District, Morrow County, Ohio (the District) as of and for the years ended December 31, 2003, and December 31, 2002, and have issued our report thereon dated June 4, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District'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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated June 4, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District'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 judgment, could adversely affect the District'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 2003-002 and 2003-003.

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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 both items to be material weaknesses. 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 management of the District in a separate letter dated June 4, 2004.

This report is intended solely for the information and use of management and the Board of Park Commissioners, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 4, 2004

**HIGHLAND COMMUNITY PARK DISTRICT
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Budgetary Requirements

Ohio Rev. Code Sections 5705.28(B)(2)(a) and (c), 5705.36, 5705.38, 5705.41(B) and 5705.41(D) require the District to adopt a budget, establish appropriations and estimated resources and certify the availability of funds prior to incurring an obligation.

The Park District did not adopt a budget or establish appropriations and estimated resources during 2002. The availability of funds were not certified prior to incurring obligations for both years under audit.

FINDING NUMBER 2003-002

Gifts and Donations

The Park District does not have a formal policy on handling and recording gifts and donations. In addition documentation is not always maintained to support gifts and donations received. Pre-numbered receipts were not utilized and donation forms were not used consistently, nor were they pre-numbered. These weaknesses could result in monies being diverted or lost without management's knowledge.

We recommend that:

1. Pre-numbered receipts and/or pre-numbered donation forms be used for all revenues collected by the Park District.
2. The Treasurer reconcile daily duplicate receipts and/or donation forms to amounts deposited and posted to the accounting system.
3. The Board establish written policies and procedures governing fund raising activities and the acceptance of donations. Among other matters, these policies should address authorizing fund raising events and acknowledgement by the Board of donations received above specified amounts.

FINDING NUMBER 2003-003

Concessions

The Board of Park Commissioners entered into a contracts for the operation of the park concession stand (one each for 2002 and 2003), each of which state that a percentage of the profits from running the concession will be remitted back to the District. Rather than specifically tailoring contract language to fit this situation, however, the District used a standardized contract form which was designed for public improvement contracts under Ohio Revised Code Chapter 153. Accordingly, certain elements of the form are not relevant to the concession contract, and the form does not clearly specify the legal relationship between the concession stand operator and the District. As a result the contract could be construed outside the intent of the Board of Park Commissioners and the concession operator.

Also, for 2003 and 2002, once a year, the District received a check from the contractor along with a manually prepared financial report calculating the District's portion of the profits. However, the financial reports are not certified by the preparer as complete and accurate nor is there any evidence that the District has reviewed the financial reports, supporting documentation, or received an audit report concerning the contractor's compliance with the contract. By not having procedures in place to monitor the contract, the District can not ensure that all concession revenues have been properly accounted for or that the amount owed to the District has been properly calculated and remitted.

**HIGHLAND COMMUNITY PARK DISTRICT
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2003-003 (Continued)

Concessions (Continued)

We recommend that:

1. The District consult with its legal counsel and determine what form of concession relationship best meets the District's needs and intent. The contract should then be written so as to clearly define the relationship and provide the District appropriate contract and compliance monitoring rights.

2. If the nature of the relationship will be such that the concession operator is primarily responsible for the operation and management of the concession and bears all risk with the District only entitled to an opportunity of fee, the District should make provisions that include but are not limited to, the following:
 - a. Require the contractor to maintain detailed, organized, and original records of sales and operating costs for a specified period of time and separate from other records the contractor may be responsible for (e.g. cash register tapes, expense invoices, calendar of actual dates and times of operation).
 - b. Require the contractor to meet specified minimum standards of operation (e.g. prices, hours of operation or selection).
 - c. Either requires the contractor to provide an independent attestation report in accordance with standards established by the American Institute of Certified Public Accountants (AICPA) or provide the District or its assignee appropriate monitoring access to concession activity records.
 - d. Establish procedures over 1) the receipt and review of the attestation report and follow-up on any findings or, 2) performing periodic reviews of contractor reported activity and underlying records, and follow up on any findings.

3. If the nature of the relationship will be such that the District is primarily responsible for operation of the concession with the concession operator serving as contract manager entitled to a fee for service, the District should make provisions that include, but are not limited to, the following:
 - a. Establish procedures for proper oversight of the contractor managed activity.
 - b. Reasonably ensure compliance with requirements of state and local law, such as:
 - i. Timely deposit of public monies and deposit with approved depositories
 - ii. Budgetary requirements concerning receipts and disbursements
 - iii. Maintaining complete and accurate accounting records of all activities
 - iv. Maintaining public records and making them available
 - v. Adhering to purchase and contracting requirements
 - vi. Adhering to other relevant District policies.

**HIGHLAND COMMUNITY PARK DISTRICT
MORROW COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 and 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-30659-001	Budgetary requirements were not followed by the Park District	No	Not Corrected. This finding has been repeated as item 2003-001.
2001-30659-002	Deposits were not secured in accordance with ORC 135.18 and 135.181.	Yes	



**Auditor of State
Betty Montgomery**

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HIGHLAND COMMUNITY PARK DISTRICT

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 27, 2004**