



**CARDINGTON-LINCOLN JOINT RECREATION DISTRICT
MORROW COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005



Mary Taylor, CPA
Auditor of State

**CARDINGTON-LINCOLN JOINT RECREATION DISTRICT
MORROW COUNTY**

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Mary Taylor, CPA
Auditor of State

Cardington-Lincoln Joint Recreation District
Morrow County
P.O. Box 10
Cardington, Ohio 43315

To the Recreation Board:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your District 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 20, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Cardington-Lincoln Joint Recreation District
Morrow County
P.O. Box 10
Cardington, Ohio 43315

To the Recreation Board:

We have audited the accompanying financial statements of the Cardington-Lincoln Joint Recreation District, Morrow County, Ohio, (the District) as of and for the years ended December 31, 2006, and December 31, 2005. 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.

Except as discussed in the following paragraph, 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.

We were unable to obtain sufficient evidence to support the completeness of charges for services receipts comprising 40% of the receipts in the General Fund for 2006 and 42% for 2005, nor were we able to satisfy ourselves as to those receipts by other auditing procedures.

As described more fully in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Government's larger (i.e. major) funds separately. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State 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 December 31, 2005, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2006, and December 31, 2005, or its changes in financial position for the years then ended.

Also, in our opinion, except for the effects of such adjustments noted in the third paragraph, if any, as might have been determined necessary had we been able to examine evidence regarding General Fund charges for services for 2006 and 2005, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Cardington-Lincoln Joint Recreation District, Morrow County, Ohio, as of December 31, 2006, and December 31, 2005, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The District 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 December 20, 2007, 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 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.



Mary Taylor, CPA
Auditor of State

December 20, 2007

**CARDINGTON-LINCOLN JOINT RECREATION DISTRICT
MORROW COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>All Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Debt Service</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 30,368	\$ 75,858	\$ 106,226
Charges for Services	30,739	-	30,739
Intergovernmental	12,894	121	13,015
Earnings on Investments	2,682	-	2,682
	<u>76,683</u>	<u>75,979</u>	<u>152,662</u>
Total Cash Receipts			
Cash Disbursements:			
Current Disbursements:			
Conservation/Recreation:			
Salaries	26,362	-	26,362
Materials and Supplies	16,318	-	16,318
Equipment	2,451	-	2,451
Contracts - Repair	6,383	-	6,383
Contracts - Services	13,658	-	13,658
Advertising and Printing	185	-	185
Utilities	9,002	-	9,002
Other	5,641	1,981	7,622
Debt Service:			
Redemption of Principal	-	49,659	49,659
Interest and Other Fiscal Charges	-	8,486	8,486
	<u>80,000</u>	<u>60,126</u>	<u>140,126</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(3,317)</u>	<u>15,853</u>	<u>12,536</u>
Fund Cash Balances, January 1, 2006	<u>9,910</u>	<u>153,187</u>	<u>163,097</u>
Fund Cash Balances, December 31, 2006	<u><u>\$ 6,593</u></u>	<u><u>\$ 169,040</u></u>	<u><u>\$ 175,633</u></u>

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

**CARDINGTON-LINCOLN JOINT RECREATION DISTRICT
MORROW COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>All Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Debt Service</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 27,056	\$ 67,566	\$ 94,622
Charges for Services	28,624	-	28,624
Intergovernmental	10,924	227	11,151
Earnings on Investments	1,994	-	1,994
	<u>68,598</u>	<u>67,793</u>	<u>136,391</u>
Cash Disbursements:			
Current Disbursements:			
Conservation/Recreation:			
Salaries	31,929	-	31,929
Materials and Supplies	14,402	-	14,402
Equipment	12,466	-	12,466
Contracts - Repair	4,063	-	4,063
Contracts - Services	5,883	-	5,883
Advertising and Printing	637	-	637
Utilities	9,049	-	9,049
Other	1,920	1,864	3,784
Capital Outlay	2,166	-	2,166
Debt Service:			
Redemption of Principal	-	28,128	28,128
Interest and Other Fiscal Charges	-	10,016	10,016
	<u>82,515</u>	<u>40,008</u>	<u>122,523</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(13,917)</u>	<u>27,785</u>	<u>13,868</u>
Fund Cash Balances, January 1, 2005	<u>23,827</u>	<u>125,402</u>	<u>149,229</u>
Fund Cash Balances, December 31, 2005	<u>\$ 9,910</u>	<u>\$ 153,187</u>	<u>\$ 163,097</u>

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

**CARDINGTON-LINCOLN JOINT RECREATION DISTRICT
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Cardington-Lincoln Joint Recreation District, Morrow County, Ohio, (the District) as a body corporate and politic. The District is directed by a five-member Recreation Board appointed by the Board of Education of the Cardington-Lincoln Local School District and the mayor of the Village of Cardington. The District equips, operates, and maintains a park, playground and swimming pool.

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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements basis of accounting. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash

The District records certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Debt Service Fund

The debt service fund accounts for resources the District accumulates to pay bond and note debt. The District had the following Debt Service Fund:

Bond Levy Fund – This fund receives proceeds from taxes levied for the repayment of bonds.

**CARDINGTON-LINCOLN JOINT RECREATION DISTRICT
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of control, and appropriations may not exceed estimated resources. The Recreation Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end. The Recreation Board did not approve an appropriation measure in 2006.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources. The District did not file a certificate of available revenue with the county auditor in 2006.

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. The District did not use the encumbrance method of accounting in 2005 or 2006.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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>2006</u>	<u>2005</u>
Deposits	\$106,880	\$101,590
Certificates of deposit	68,753	61,507
Total deposits	<u>175,633</u>	<u>163,097</u>

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

**CARDINGTON-LINCOLN JOINT RECREATION DISTRICT
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and December 31, 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$76,683	\$76,683
Debt Service	0	75,979	75,979
Total	\$0	\$152,662	\$152,662

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$80,000	(\$80,000)
Debt Service	0	60,126	(60,126)
Total	\$0	\$140,126	(\$140,126)

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$76,282	\$68,598	(\$7,684)
Debt Service	40,032	67,793	27,761
Total	\$116,314	\$136,391	\$20,077

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$93,900	\$82,515	\$11,385
Debt Service	38,150	40,008	(1,858)
Total	\$132,050	\$122,523	\$9,527

Contrary to Ohio law, budgetary expenditures were made totaling \$140,126 without any of the funds having been appropriated for the year ended December 31, 2006.

**CARDINGTON-LINCOLN JOINT RECREATION DISTRICT
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Recreation Board adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the District.

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 District.

5. DEBT

Debt outstanding at December 31, 2006, was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$115,678	5.37%

The Village of Cardington issued a General Obligation Pool Renovation Bond on February 6, 2001, in the amount of \$292,190 at 5.37 percent for a term of ten years for the purpose of constructing and improving the swimming pool operated by the Cardington-Lincoln Joint Recreation District, furnishing and equipping the same, landscaping and improving the site. On March 15, 2001, in consideration of the District causing the project to be made or constructed, and subject to the funding of the construction fund, to be held in the custody of the Clerk/Treasurer of the Village, through issuance of the Bonds, the Village agreed to disburse proceeds of the bonds in the above amount for the payment of costs of the project to the District. The District agreed to use the proceeds of the voted ten year $\frac{3}{4}$ mill levy to pay debt service on these bonds. Interest and principal payments are due semi-monthly to the Village of Cardington. The Bonds are collateralized by the taxing authority of the District.

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

	General Obligation Bonds
Year ending December 31:	
2007	\$38,145
2008	38,145
2009	38,145
2010	14,332
Total	\$128,767

**CARDINGTON-LINCOLN JOINT RECREATION DISTRICT
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. RETIREMENT SYSTEM

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>PERS – Local Government Group</i>	<i>2005</i>	<i>8.5%</i>	<i>13.55%</i>
<i>PERS – Local Government Group</i>	<i>2006</i>	<i>9.0%</i>	<i>13.70%</i>

The District's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9.0% and 8.5%, respectively, of their gross salaries and the District contributed an amount equaling 13.70% and 13.55%, respectively, of participants' gross salaries. The District has paid all contributions required through December 31, 2006.

7. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

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

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Mary Taylor, CPA

Auditor of State

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

Cardington-Lincoln Joint Recreation District
Morrow County
P.O. Box 10
Cardington, Ohio 43315

To the Recreation Board:

We have audited the financial statements of the Cardington-Lincoln Joint Recreation District, Morrow County, Ohio, (the District) as of and for the years ended December 31, 2006, and December 31, 2005, and have issued our report thereon dated December 20, 2007, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We qualified our report on the General Fund because we were unable to determine the completeness of charges for services revenue for 2006 or 2005. Except as discussed in the preceding sentence, 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 District'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 District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District'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 certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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 District'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 District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-004.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2006-001 through 2006-004 are also material weaknesses.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated December 20, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the District'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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-004 through 2006-007.

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

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

December 20, 2007

**CARDINGTON-LINCOLN JOINT RECREATION DISTRICT
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2006-001
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Monthly Bank Reconciliations – Significant Deficiency/Material Weakness

Monthly cash reconciliations should be performed by the Clerk/Treasurer to determine if all receipts and disbursements have been properly posted. Reconciling items should be investigated at the time of the reconciliation and resolved in a timely manner. Documentation supporting all reconciling items should be included with the reconciliation. Once completed, the reconciliation should be reviewed for completeness and accuracy by the Board.

When cash reconciliations are not properly performed, monthly fund balances may be understated or overstated and management can not be assured that the ledgers reflect the proper financial activities of the District. Also, lack of legislative monitoring of the monthly bank reconciliations may lead to errors, irregularities, or misappropriation of the District's assets.

The Clerk/Treasurer did not reconcile the District's accounting ledgers to the bank balances throughout 2005 and 2006.

We recommend the Clerk/Treasurer perform monthly bank to book reconciliations that properly account for all transactions during the respective month. In addition, the bank reconciliations, including supporting documentation, should be reviewed by the Board in order to assure accuracy and that all errors and/or irregularities are detected in a timely manner.

Officials' Response

Recreation Board reconciliations will be performed and monitored by the Recreation Board on a monthly basis.

Finding Number	2006-002
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Financial Reporting – Significant Deficiency/Material Weakness

Sound financial reporting is the responsibility of the Clerk/Treasurer and Recreation Board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

Twelve audit adjustments totaling \$161,878 in the General Fund and seven audit adjustments totaling \$135,077 in the Debt Service Fund were made to the December 31, 2006 financial statements.

Thirteen audit adjustments totaling \$127,333 in the General Fund and five audit adjustments totaling \$105,937 in the Debt Service Fund were made to the December 31, 2005 financial statements:

The adjustments identified above should be reviewed by the Clerk/Treasurer and Recreation Board to ensure that similar errors are not reported on financial statements in subsequent years. In addition, the District should develop procedures for the periodic review of the activity posted to the accounting records, as well as, for the review of the financial statement information to ensure it accurately reflects the District's activity.

**CARDINGTON-LINCOLN JOINT RECREATION DISTRICT
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2006-002 (Continued)
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Financial Reporting – Significant Deficiency/Material Weakness (Continued)

Officials’ Response

The Recreation Board has established two separate funds and is monitoring the postings.

Finding Number	2006-003
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Cash Collection Procedures – Significant Deficiency/Material Weakness

The District has no formal policy on the handling and recording of money collected at the swimming pool. Although a cash register is used to collect receipts for pool admissions, concessions, and pool season passes, there is no daily cash drawer reconciliation performed documenting amounts collected versus amounts that should have been collected. In addition, certain receipts and deposits were not supported by cash register tapes or other supporting documentation, or the supporting documentation was illegible. These weaknesses in the cash collection process could result in money being diverted, or lost, without management’s knowledge.

We recommend that the District maintain a daily cash collection report which should be used to reconcile each day’s cash collections from all cash register’s in operation at the end of each business day. This daily cash collection report should be reconciled and signed by a pool manager, or an individual independent of the cash collection process. In addition, pre-numbered passes should be issued for weekly, single, and family pass patrons. The number of passes sold each day should be recorded on the daily cash collection report and reconciled to the cash collections. A record of these pre-numbered passes should be maintained by the Clerk throughout the pool season to gain assurance that all passes sold have been accounted for, and that any unsold passes are being retained in a secure place by the District. Further, the Clerk should reconcile total daily receipts with the daily deposit for each day the pool is open for business. Discrepancies should be investigated promptly to gain assurance that all receipts collected are deposited in the financial institution, as appropriate.

We further recommend that that Recreation Board establish written policies and procedures regarding the collection of cash to gain assurance that all staff members are aware of the proper procedures which should be followed by those individuals responsible for cash collections.

By implementing these recommendations, the District can reduce the overall risk of fraud or misappropriation of assets, which might otherwise go undetected by management.

Officials’ Response

The Recreation Board will write policies and procedures regarding the collection of monies and the balancing of the register to the bank deposits on a daily basis.

**CARDINGTON-LINCOLN JOINT RECREATION DISTRICT
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2006-004
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Establishment of Bond Retirement Fund – Noncompliance Citation/Significant Deficiency/Material Weakness

Ohio Rev. Code Section 5705.10(B) states in part that all revenue derived from general or special levies for debt charges on serial bonds, notes, or certificates of indebtedness having a life less than five years, must be paid into the bond retirement fund. Furthermore, Ohio Rev. Code Section 5705.09(C) states in part that each subdivision is required to establish a bond retirement fund, for the retirement of serial bonds, notes, or certificates of indebtedness.

The District receives revenue derived from a tax levy specifically for the purpose of the payment of outstanding bonds. However, the District did not establish a fund separate from their general operating fund to account for the revenue and disbursements related to outstanding bonds.

We recommend the District establish a separate fund to account for bond retirement levy revenue and expenditure activity, segregated from the general operating financial activity of the District. By establishing this fund the District can gain assurance that revenues derived from the tax levy related to debt repayment are segregated from general operating funds, and that the expenditures for the repayment of related debt are being paid for with funds earmarked for that purpose. The accounting records and financial statements have been adjusted to reflect a debt service fund.

Officials’ Response

The Recreation Board has established two separate funds, one for debt service and the other one for general fund activities.

Finding Number	2006-005
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Certification of Expenditures – Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Clerk/Treasurer is attached thereto. The Clerk/Treasurer must certify that the amount required to meet such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a Clerk/Treasurer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**CARDINGTON-LINCOLN JOINT RECREATION DISTRICT
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2006-005 (Continued)
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Certification of Expenditures – Noncompliance Citation/Significant Deficiency (Continued)

1. “Then and Now” Certificate – If the Clerk/Treasurer can certify that both at the time that the contract or order was made (“then”), and at the time that the Clerk/Treasurer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Clerk/Treasurer can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Clerk/Treasurer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. Blanket Certificate – Clerk/Treasurers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Clerk/Treasurer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Clerk/Treasurer did not utilize the encumbrance method of accounting in 2005 or 2006. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District’s funds exceeding budgetary spending limitations, we recommend that the Clerk/Treasurer certify that the funds are or will be available prior to obligation by the District. When prior certification is not possible, “then and now” certification should be used.

We recommend the Clerk/Treasurer certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Clerk/Treasurer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk/Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials’ Response

The Recreation Board is reviewing this process and will be setting up accounts with the various vendors to facilitate the order process.

**CARDINGTON-LINCOLN JOINT RECREATION DISTRICT
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2006-006
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Annual Appropriations Measure – Noncompliance Citation

Ohio Rev. Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed.

Furthermore, Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to spend money unless it has been appropriated.

The District did not adopt an appropriation measure in 2006. As a result, all expenditures made during 2006 totaling \$140,126 were not legally expended.

We recommend the District adopt an annual appropriation measure on or about the first day of each year. Expenditures should be closely monitored during the year to ensure expenditures do not exceed appropriations approved by the Board.

Officials' Response

The Recreation Board annually adopts a budget. In 2006 the Recreation Board adopted a budget, but this adoption was not accurately reflected in the minutes.

Finding Number	2006-007
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Certificate of Available Revenue – Noncompliance Citation

Ohio Rev. Code Section 5705.36 requires that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units certify to the county auditor the total amount from all sources which is available for expenditure from each fund in the tax budget along with any balances that existed at the end of the preceding year.

The District did not file its certificate of available revenue for 2006 with the county auditor. We recommend the District file its certificate of available revenue with the Morrow County Auditor on or about the first day of each fiscal year.

Officials' Response

The Recreation Board has approved the rates and amounts to the County Auditor for 2008 and will continue to monitor the situation.

**CARDINGTON-LINCOLN JOINT RECREATION DISTRICT
MORROW COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
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; <i>Explain</i>
2004-001	Cash Collection Procedures	No	Not Corrected. Comment is being repeated as finding number 2006-003.
2004-002	Retention of Payroll Records	Yes	
2004-003	Certification of Expenditures	No	Not Corrected. Comment is being repeated as finding number 2006-005.
2004-004	Establishment of Bond Retirement Fund	No	Not Corrected. Comment is being repeated as finding number 2006-004.



Mary Taylor, CPA
Auditor of State

CARDINGTON-LINCOLN JOINT RECREATION 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
JANUARY 22, 2008