# CARDINGTON-LINCOLN JOINT RECREATION DISTRICT
# MORROW COUNTY

## REGULAR AUDIT

## FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

Mary Taylor, CPA
Auditor of State

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

## TABLE OF CONTENTS

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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

September 18, 2008

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**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 Cardington-Lincoln Joint Recreation District, Morrow County, Ohio, (the District) as of and for the years ended December 31, 2008 and 2007. 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 5% of total cash receipts in the General Fund for 2008, 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 District'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 Districts 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 year ended December 31, 2008 and 2007 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, 2008 and 2007, or its changes in financial position for the year 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 2008, 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, 2008 and 2007, 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 September 18, 2009, 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

**Mary Taylor, CPA**
Auditor of State

September 18, 2009

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES**
**ALL GOVERNMENTAL FUND TYPES**
**FOR THE YEAR ENDED DECEMBER 31, 2008**

| | All Governmental Fund Types | | |
|---|---|---|---|
| | **General** | **Debt Service** | **Totals (Memorandum Only)** |
| **Cash Receipts:** | | | |
| Property and Other Local Taxes | $29,474 | $73,679 | $103,153 |
| Charges for Services | 14,212 | 0 | 14,212 |
| Intergovernmental | 23,236 | 0 | 23,236 |
| Earnings on Investments | 6,868 | 776 | 7,644 |
| Miscellaneous | 238 | 0 | 238 |
| Total Cash Receipts | 74,028 | 74,455 | 148,483 |
| **Cash Disbursements:** | | | |
| Current Disbursements: | | | |
| Conservation/Recreation: | | | |
| Materials and Supplies | 4,518 | 0 | 4,518 |
| Equipment | 2,396 | 0 | 2,396 |
| Construction | 1,946 | 0 | 1,946 |
| Contracts - Repair | 5,690 | 0 | 5,690 |
| Contracts - Services | 32,259 | 0 | 32,259 |
| Advertising and Printing | 123 | 0 | 123 |
| Utilities | 8,252 | 0 | 8,252 |
| Other | 2,297 | 0 | 2,297 |
| Capital Outlay | | | |
| Debt Service: | | | |
| Redemption of Principal | 0 | 54,323 | 54,323 |
| Interest and Other Fiscal Charges | 0 | 4,296 | 4,296 |
| Total Cash Disbursements | 57,480 | 58,619 | 116,099 |
| Total Receipts Over Disbursements | 16,548 | 15,836 | 32,384 |
| **Other Financing Receipts:** | | | |
| Loan Proceeds | 220,000 | 0 | 220,000 |
| Total Other Financing Receipts | 220,000 | 0 | 220,000 |
| Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements | 236,548 | 15,836 | 252,384 |
| Fund Cash Balances, January 1 | (16,465) | 203,739 | 187,274 |
| **Fund Cash Balances, December 31** | **$220,083** | **$219,575** | **$439,658** |

*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 GOVERNMENTAL FUND TYPES**
**FOR THE YEAR ENDED DECEMBER 31, 2007**

| | All Governmental Fund Types | | |
|---|---|---|---|
| | **General** | **Debt Service** | **Totals (Memorandum Only)** |
| **Cash Receipts:** | | | |
| Property and Other Local Taxes | $29,359 | $72,844 | $102,203 |
| Charges for Services | 35,611 | 0 | 35,611 |
| Intergovernmental | 8,208 | 0 | 8,208 |
| Earnings on Investments | 6,686 | 0 | 6,686 |
| Miscellaneous | 176 | 0 | 176 |
| Total Cash Receipts | 79,832 | 72,844 | 152,676 |
| **Cash Disbursements:** | | | |
| Current Disbursements: | | | |
| Conservation/Recreation: | | | |
| Salaries | 40,355 | 0 | 40,355 |
| Materials and Supplies | 20,980 | 0 | 20,980 |
| Equipment | 510 | 0 | 510 |
| Contracts - Repair | 10,830 | 0 | 10,830 |
| Contracts - Services | 15,881 | 0 | 15,881 |
| Advertising and Printing | 142 | 0 | 142 |
| Utilities | 9,358 | 0 | 9,358 |
| Other | 4,834 | 0 | 4,834 |
| Capital Outlay | | | |
| Debt Service: | | | |
| Redemption of Principal | 0 | 31,793 | 31,793 |
| Interest and Other Fiscal Charges | 0 | 6,352 | 6,352 |
| Total Cash Disbursements | 102,890 | 38,145 | 141,035 |
| Total Receipts Over/(Under) Disbursements | (23,058) | 34,699 | 11,641 |
| Fund Cash Balances, January 1 | 6,593 | 169,040 | 175,633 |
| **Fund Cash Balances, December 31** | **($16,465)** | **$203,739** | **$187,274** |

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

## 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 management believes these financial statements present all activity for which the District is financially accountable.

### B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The District 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. Deposits

The District maintains an interest bearing checking account and a money market depository account.

### 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 significant Debt Service Fund:

Bond Levy Fund – This fund receives proceeds from taxes levied for the repayment of bonds, notes, and certificates of indebtedness.

## 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 fund 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.

#### 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.

#### 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 2008 and 2007.

A summary of 2008 and 2007 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 all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

| | 2008 | 2007 |
|---|---|---|
| Deposits | $439,658 | $187,274 |
| Total deposits | 439,658 | 187,274 |

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

## 3. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|---|---|---|---|
| General | $46,212 | $294,028 | $247,816 |
| Debt Service | 80,000 | 74,455 | (5,545) |
| Total | $126,212 | $368,483 | $242,271 |

2008 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|---|---|---|---|
| General | $46,212 | $57,480 | ($11,268) |
| Debt Service | 275,442 | 58,619 | 216,823 |
| Total | $321,654 | $116,099 | $205,555 |

2007 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|---|---|---|---|
| General | $0 | $79,832 | $79,832 |
| Debt Service | 0 | 72,844 | 72,844 |
| Total | $0 | $152,676 | $152,676 |

2007 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|---|---|---|---|
| General | $0 | $102,890 | ($102,890) |
| Debt Service | 0 | 38,145 | (38,145) |
| Total | $0 | $141,035 | ($141,035) |

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by $11,268 for the year ended December 31, 2008. Also contrary to Ohio law, at December 31, 2007, budgetary expenditures were made totaling $141,035 without any of the funds having been appropriated. Also contrary to Ohio law, the District posted Debt Service tax receipts to the General Fund. Finally, also contrary to Ohio law, the District did not file a certificate of available revenue with the county auditor in 2007.

## 4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the 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.

## 4. Property Tax (Continued)

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, 2008 was as follows:

| | Principal | Interest Rate |
|---|---|---|
| General Obligation Bonds | $49,837 | 5.37% |
| Loan | 200,275 | 4.00% |
| Total | $250,112 | |

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 ¾ 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.

On September 12, 2008, the District took out a 90 day loan in the amount of $20,000 for the construction of a new pool building and other pool improvements. The District then took out an additional 273 day loan on November 5, 2008, in the amount of $200,000 after they received bids entailing the amount of the total project. On December 3, 2008, the District repaid the initial $20,000 loan. The loans are collateralized by the taxing authority of the District.

Amortization of the above debt is scheduled as follows:

| Year ending December 31: | General Obligation Bonds | Pool House Loan |
|---|---|---|
| 2009 | $38,145 | $200,275 |
| 2010 | 11,692 | 0 |
| Total | $49,837 | $200,275 |

## 6. Retirement Systems

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 2007, OPERS members contributed 9.5% of their gross salaries and the District contributed an amount equaling 13.85% of participants' gross salaries. The District had no employees during 2008 as the District contracted with the Morrow County YMCA for the management and operation of the Cardington Pool. The District has paid all contributions required through December 31, 2008.

## 7. Risk Management

The District has obtained commercial insurance for the following risks:

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

## 8. Subsequent Event

On June 25, 2009, the District paid in full the Pool House Loan of $200,275, as well as related interest of $5,135.81, to Farmers Citizen Bank.

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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 STANDARD***

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, 2008 and 2007, and have issued our report thereon dated September 18, 2009, 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. Additionally, we qualified our opinion on the General Fund charges for services because we were unable to determine the completeness of the charges for services receipts for 2008. 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: 2008-001, 2008-002, 2008-006, and 2008-007.

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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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies 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 2008-001, 2008-006, and 2008-007 are also material weaknesses

We also noted certain internal control matters that we reported to the District's management in a separate letter dated September 18, 2009.

**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 2008-003 through 2008-008.

We also note certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated September 18, 2009.

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

September 18, 2009

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

**SCHEDULE OF FINDINGS**
**DECEMBER 31, 2008 AND 2007**

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

| | |
|---|---|
| **Finding Number** | **2008-001** |

**Significant Deficiency/Material Weakness**
**Pool Receipt Supporting Documentation**

During 2008, the District entered into an agreement with the Morrow County YMCA for pool operations and management of the Cardington Pool. As part of this agreement, the District and YMCA agreed upon specific terms for such operations, including compensation. The District agreed to pay the YMCA a management fee of $52 per hour that the pool was operated and open for swimming by the public, not to exceed $25,740. Additionally, the agreement states that all revenue received by the YMCA for season pass sales and daily admissions shall be applied directly to the fees charged by the YMCA for the operation and management of the pool.

The agreement further states that following the close of the swimming season, the YMCA shall invoice the District for its total management fee, with its collections for daily and season passes being shown as deductions. Finally, the agreement states that for each day the pool is in operation, the YMCA shall provide the District documentation of daily pool attendance, chemical balance reports, hours of operation, season pass and daily admission receipts, and accident/incident reports.

During 2008, the District did not receive or maintain any daily documentation of register tapes, head counts, season pass receipts, daily admission receipts, or any other information from the YMCA to support daily receipts reported by the YMCA. Instead, at the close of the swimming season, the District simply received an invoice from the YMCA showing total management fee charges for operation ($22,776) less pool income ($14,212) along with a detail of operation hours by week. No additional information was obtained by the District to support the $8,564 paid to the YMCA. Also, register tapes could not be obtained from the YMCA as these register tapes were only maintained for one year and then discarded.

Failure to obtain and maintain supporting documentation for such service agreements limits the ability of District management and the District Board to ensure amounts paid are properly paid pursuant to agreed-upon terms. Additionally, in the absence of such underlying supporting documentation, the audit opinion for the 2008 pool receipts of $14,212 was qualified as sufficient assurance could not be obtained over the completeness of these reported receipts.

We recommend that under any such service organization agreements the District obtain and maintain all supporting documentation to ensure amounts paid are properly paid pursuant to agreed-upon terms. We further recommend the District Board carefully review the terms of such agreements to ensure the terms of the agreements are being properly followed.

**Officials' Response**

Staff is taking steps to correct this problem. For 2009, the Board has managed the pool. If the YMCA manages the pool in the future, daily accounting will be a requirement.

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

| | |
|---|---|
| **Finding Number** | **2008-002** |

**Significant Deficiency**
**Monitoring Budget Versus Actual Information**

The Board approves a monthly financial packet which includes a financial report that includes actual receipts and expenditures. However, the Board does not review or approve systems-generated reports that would indicate budget versus actual information for all the District's funds.

Monitoring comprises regular management activities established to oversee whether management's financial objectives are being achieved. Data from such reports may provide assurance as to the reliability of financial reporting information if it conforms with the users' expectations.

Failure to monitor budget and actual activity for all funds increases the likelihood that errors or irregularities, if they occur, may go undetected.

We recommend the Board review monthly systems-generated reports that show budget and actual information for all funds. Monitoring monthly budget versus actual receipts and expenditures ensures that expenditures are being made in accordance with the approved budget and receipts are being received in accordance with the Certificate of Estimated Resources.

**Officials' Response**

Staff will review and furnish monthly reports to the Board. The staff will also have the Board sign off on the reports and keep a record of them.

| | |
|---|---|
| **Finding Number** | **2008-003** |

**Material Noncompliance**
**Annual Appropriations Measure**

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. The District may pass a temporary appropriation measure to meet their ordinary expenses until April 1, at which time a permanent appropriation measure must be passed.

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

The District did not adopt a permanent appropriation measure in 2007. As a result, all expenditures made during 2007 totaling $141,035 were not legally expended.

We recommend the District adopt a permanent 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.

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

| | |
|---|---|
| **Finding Number** | **2008-003 (Continued)** |

**Material Noncompliance**
**Annual Appropriations Measure (Continued)**

**Officials' Response**

The budget was not filed in 2007, but it was filed in 2008, and the staff is taking steps to continue to have the permanent budget on file with the County Auditor in a timely fashion.

| | |
|---|---|
| **Finding Number** | **2008-004** |

**Material Noncompliance**
**Certificate of Available Revenue**

Ohio Rev. Code Section 5705.36(A) 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 2007 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 certificate of available revenue for 2007 was not filed, but it was in 2008 and the staff is taking steps to continue to have the reports filed in a timely fashion with the County Auditor.

| | |
|---|---|
| **Finding Number** | **2008-005** |

**Material Noncompliance**
**Certification of Expenditures**

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.

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

| | |
|---|---|
| **Finding Number** | **2008-005 (Continued)** |

**Material Noncompliance**
**Certification of Expenditures (Continued)**

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.

**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 2007 or 2008. 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.

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

| **Finding Number** | **2008-005 (Continued)** |
|---|---|

**Material Noncompliance**
**Certification of Expenditures (Continued)**

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**

With the new financial software being used, purchase orders are printed before invoices can be entered.

| **Finding Number** | **2008-006** |
|---|---|

**Material Noncompliance / Significant Deficiency / Material Weakness**
**Receipt Posting**

Ohio Rev. Code Section 5705.10(C) states that all revenue that is derived from a special levy is to be credited to a special fund for the purpose for which the levy is made. Additionally, section (D) states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The District posted Debt Service Fund tax receipts to the General Fund in amounts of $8,298 for 2007 and $6,898 for 2008.

We recommend the Clerk/Treasurer ensure funds are properly posted to the correct fund in the accounting system in accordance with the Ohio Revised Code.

The Clerk/Treasurer made the adjustments to the District's records and the adjustments are reflected in the accompanying financial statements.

**Officials' Response**

This was a posting error that will be corrected.

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

| | |
|---|---|
| **Finding Number** | **2008-007** |

**Material Noncompliance / Significant Deficiency / Material Weakness**
**Accounting Records**

Ohio Admin. Code Section 117-2-02 states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code. It also states that the management of each local public office is responsible for the assertions underlying the information in the public office's financial statements.

The District's accounting system and accounting records were deficient, as follows:

- The District used manual spreadsheets in the excel system for expenditures and receipts that ran in calendar order, but did not separate receipt postings by line item (taxes, intergovernmental, pool receipts). Additionally, receipts were frequently posted to the accounting system in batches. Several days deposits were recorded on the same day as separate transactions but with no receipt numbers assigned to the transactions. The maintenance of underlying receipt records without individual receipt numbers or receipt dates limits the ability to determine that each receipt was posted only once and that each receipt agreed to the corresponding deposit on the bank statements.

Failure to maintain a sufficient accounting system limits the ability of management to ensure appropriate posting of District transactions and corresponding accountability.

We recommend the District maintain an accounting system and accounting records sufficient to enable it to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements, and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Beginning January 1, 2009, the District began recording transactions within the SSI accounting software.

**Officials' Response**

Staff has transitioned the accounting system to SSI for all future records.

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

| **Finding Number** | **2008-008** |
|---|---|

**Material Noncompliance**
**Expenditures Exceed Appropriations**

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

At December 31, 2008, the General Fund had expenditures in excess of appropriations in the amount of $11,268.

We recommend the District closely monitor expenditures in respect to appropriations to ensure expenditures do not exceed appropriations. If necessary, the Board may increase expenditure levels by approving supplemental appropriations.

**Officials' Response**

With the new software, it will be easier to monitor the appropriation and staff will continue to monitor the expenditures of the pool in the future.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS**
**DECEMBER 31, 2008 AND 2007**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain*** |
|---|---|---|---|
| 2006-001 | Monthly Bank Reconciliations | Yes | |
| 2006-002 | Financial Reporting | Yes | |
| 2006-003 | Cash Collection Point | No | Partially corrected; similar comment included as finding number 2008-001. |
| 2006-004 | Establishment of Bond Retirement Fund | Yes | |
| 2006-005 | Certification of Expenditures | No | Not corrected; repeated as finding number 2008-005. |
| 2006-006 | Annual Appropriation Measurer | No | Partially corrected repeated as finding number 2008-003. |
| 2006-007 | Certificate of Available Revenues | No | Partially corrected; repeated as finding number 2008-004. |

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**
**NOVEMBER 19, 2009**

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