



Dave Yost • Auditor of State



**MALTA-MCCONNELSVILLE JOINT RECREATION BOARD  
MORGAN COUNTY**

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# Dave Yost • Auditor of State

Malta-McConnelsville Joint Recreation Board  
Morgan County  
P.O. Box 432  
Malta, Ohio 43758

To the Board of Trustees:

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 government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. 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.

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**Dave Yost**  
Auditor of State

July 26, 2011

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Malta-McConnelsville Joint Recreation Board  
Morgan County  
P.O. Box 432  
Malta, Ohio 43758

To the Board of Trustees:

We have audited the accompanying financial statements of the Malta-McConnelsville Joint Recreation Board, Morgan County, Ohio (the Board), as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Board 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.

GAAP require presenting entity-wide statements and also presenting the Board's larger (i.e., major) funds separately. While the Board 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 recreation boards to reformat their statements. The Board 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, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Board as of December 31, 2010 or 2009, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balance of the Malta-McConnelsville Joint Recreation Board, Morgan County, Ohio, as of December 31, 2010 and 2009, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Board 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 July 26, 2011, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

**Dave Yost**  
Auditor of State

July 26, 2011



**MALTA-MCCONNELSVILLE JOINT RECREATION BOARD  
MORGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General</u>
<b>Cash Receipts:</b>	
Intergovernmental	\$4,000
Gifts and Donations	4,532
	<hr/>
Total Cash Receipts	8,532
	<hr/>
<b>Cash Disbursements:</b>	
Current Disbursements:	
Conservation/Recreation:	
Materials and Supplies	4,508
Utilities	1,471
Other	157
	<hr/>
Total Cash Disbursements	6,136
	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	2,396
Fund Cash Balances, January 1	774
	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$3,170</u></u></b>

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

**MALTA-MCCONNELSVILLE JOINT RECREATION BOARD  
MORGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>General</u>
<b>Cash Receipts:</b>	
Intergovernmental	\$3,443
Gifts and Donations	<u>18,160</u>
Total Cash Receipts	<u>21,603</u>
<b>Cash Disbursements:</b>	
Current Disbursements:	
Conservation/Recreation:	
Materials and Supplies	20,029
Utilities	700
Other	<u>100</u>
Total Cash Disbursements	<u>20,829</u>
Total Cash Receipts Over/(Under) Cash Disbursements	774
Fund Cash Balances, January 1	<u>0</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$774</u></u></b>

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

**MALTA-MCCONNELSVILLE JOINT RECREATION BOARD  
MORGAN COUNTY**

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

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

Malta-McConnelsville Joint Recreation Board, Morgan County, Ohio (the Board), is a community recreation board established under the authority of Ohio Rev. Code Section 755.14. The Board is directed by an eight-member Board of Trustees, four appointed by the Mayor of Malta and four appointed by the Mayor of McConnelsville. The Board was formed to construct, operate, and maintain the joint community park and any other recreational facility jointly assigned to it by the councils of Malta and McConnelsville.

The Board's management believes these financial statements present all activities for which the Board 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 Board 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. Budgetary Process**

The Ohio Revised Code requires each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The 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 Board to reserve (encumber) appropriations when individual commitments are made. The Board did not use the encumbrance method of accounting.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**D. Property, Plant, and Equipment**

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

**MALTA-MCCONNELSVILLE JOINT RECREATION BOARD  
MORGAN COUNTY**

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

**2. Deposits**

The Board maintains cash in a non-interest bearing checking account. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	<b>2010</b>	<b>2009</b>
Demand Deposits	\$3,170	\$774

Deposits are insured by the Federal Deposit Insurance Corporation.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31 follows:

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$8,532	\$8,532
	\$0	\$8,532	\$8,532

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$6,136	(\$6,136)
	\$0	\$6,136	(\$6,136)

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$21,603	\$21,603
	\$0	\$21,603	\$21,603

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$20,829	(\$20,829)
	\$0	\$20,829	(\$20,829)

Contrary to Ohio law, the Board did not adopt an operating budget, prepare estimated resources or adopt appropriations for 2010 or 2009.

**4. Risk Management**

The Board has commercial insurance for errors and omissions.

**5. Related Party Transactions**

The Board receives an annual contribution of \$2,000 from both the Village of Malta and Village of McConnelsville that are used for general operations.



# Dave Yost • Auditor of State

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

Malta-McConnelsville Joint Recreation Board  
Morgan County  
P.O. Box 432  
Malta, Ohio 43758

To the Board of Trustees:

We have audited the financial statements of the Malta-McConnelsville Joint Recreation Board, Morgan County, Ohio (the Board), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated July 26, 2011, wherein we noted the Board followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-01 described in the accompanying Schedule of Findings to be a material weakness.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Board's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2010-01 through 2010-03.

We also noted certain matters not requiring inclusion in this report that we reported to the Board's management in a separate letter dated July 26, 2011.

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

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**Dave Yost**  
Auditor of State

July 26, 2011

**MALTA-MCCONNELSVILLE JOINT RECREATION BOARD  
MORGAN COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2010-01**

**Noncompliance Citation and Material Weakness**

Ohio Rev. Code Section 5705.28(B)(2)(a) requires that, on or before the fifteenth day of July each year, the taxing authority shall adopt an operating budget for the taxing unit for the ensuing fiscal year. The operating budget shall include an estimate of receipts from all sources, a statement of all taxing unit expenses that are anticipated to occur, and the amount required for debt charges during the fiscal year.

Ohio Rev. Code Section 5705.28(B)(2)(c) states the total appropriations from each fund shall not exceed the total estimated revenue available for expenditures from the fund, and appropriations shall be made from each fund only for the purposes for which the fund was established.

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. Ohio Rev. Code 5705.38(C) states that appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services.

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

The Board did not adopt an operating budget, prepare a certificate of estimated resources or adopt appropriations for 2009 or 2010 as required by Ohio Rev. Code 5705. Failure to adopt a budget, prepare estimated resources and adopt appropriations could allow the Board to experience deficit spending and not allow the board to accurately monitor budget versus actual activity. In addition, the Board omitted the budgetary footnote from the notes to the financial statements.

We recommend the Board adopt a budget, prepare a certificate of estimated resources and adopt appropriations as required by the aforementioned Ohio Rev. Code sections. Appropriations should be adopted at the minimum level of control. We also recommend the Board monitor budget versus actual activity throughout the year to make sure appropriations do not exceed estimated revenue and expenditures do not exceed adopted appropriations.

**FINDING NUMBER 2010-02**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any 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.

**MALTA-MCCONNELSVILLE JOINT RECREATION BOARD  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2010-02  
(Continued)**

**Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)**

There are several exceptions to the standard requirement stated above that a fiscal officer'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" Certificates - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer 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 Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from 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 fiscal officer 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 Board.

2. Blanket Certificates - Fiscal officers may prepare so-called "blanket" certificates not running beyond 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. Purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
3. Super Blanket Certificates - The Board may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

None of the non-payroll transactions issued in 2010 and 2009 had the prior certification of the Fiscal Officer, nor was there any evidence the Fiscal Officer was using a "then and now" certificate. As noted in Finding Number 2010-01, no permanent appropriations were legally adopted by the Board. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.



**MALTA-MCCONNELSVILLE JOINT RECREATION BOARD  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2010-02  
(Continued)**

**Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)**

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 Board's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Board. When prior certification is not possible, "then and now" certification should be used.

We recommend the Board obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Board incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2010-03**

**Noncompliance Citation**

Ohio Admin. Code Section 117-2-02(D)(2) requires that all local public offices maintain a receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger. In addition, Ohio Admin. Code Section 117-2-02(D)(3) requires that all public offices maintain an appropriation ledger, which may assemble and classify disbursements or expenditures/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unrecorded balance, amount of disbursement, uncommitted balance of appropriations and any other information required may be entered in the appropriate columns.

The Board maintained a cash journal during 2010 and 2009. However, the Board failed to maintain a receipts ledger to account for receipt transactions or an appropriation ledger to account for appropriations and disbursements. In addition, duplicate receipts were not issued to account for individual receipt transactions. Without these tools, questions may arise regarding financial transactions of the Board, and the Board cannot fully monitor the financial situation of the Board.

We recommend the Board maintain a receipts ledger and an appropriations ledger. We also recommend that duplicate receipts be issued each time the Board receives funds. Duplicate receipts, including the amount and date received, should be used to post receipts to individual accounts.

**Officials' Response:** We did not receive a response from Officials to the findings reported above.

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# Dave Yost • Auditor of State

**MALTA-MCCONNELSVILLE JOINT RECREATION BOARD**

**MORGAN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 30, 2011**