



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

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Recreation Board:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Cardington-Lincoln Joint Recreation District, Morrow County, Ohio, (the District) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Cardington-Lincoln Joint Recreation District, Morrow County, Ohio, (the District) as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011 the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

October 14, 2013

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

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Debt Service</u>	
Cash Receipts			
Property and Other Local Taxes	\$ 33,669	\$ -	\$ 33,669
Charges for Services	39,619	-	39,619
Intergovernmental	4,691	-	4,691
Earnings on Investments	480	-	480
Miscellaneous	750	-	750
<i>Total Cash Receipts</i>	<u>79,209</u>	<u>-</u>	<u>79,209</u>
Cash Disbursements			
Current:			
Conservation/Recreation			
Salaries	24,254	-	24,254
Material and Supplies	19,173	-	19,173
Contracts - Repair	793	-	793
Contracts - Services	604	-	604
Advertising and Printing	290	-	290
Utilities	6,517	-	6,517
Other	5,113	-	5,113
Capital Outlay	56,311	-	56,311
<i>Total Cash Disbursements</i>	<u>113,055</u>	<u>-</u>	<u>113,055</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(33,846)</u>	<u>-</u>	<u>(33,846)</u>
Other Financing Receipts (Disbursements)			
Transfers In	136,802	-	136,802
Transfers Out	-	(136,802)	(136,802)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>136,802</u>	<u>(136,802)</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	102,956	(136,802)	(33,846)
<i>Fund Cash Balances, January 1</i>	<u>51,849</u>	<u>136,802</u>	<u>188,651</u>
Fund Cash Balances, December 31			
Assigned	726	-	726
Unassigned (Deficit)	154,079	-	154,079
<i>Fund Cash Balances, December 31</i>	<u>\$ 154,805</u>	<u>\$ -</u>	<u>\$ 154,805</u>

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

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

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Debt Service	
Cash Receipts			
Property and Other Local Taxes	\$ 36,634	\$ -	\$ 36,634
Charges for Services	33,250	-	33,250
Intergovernmental	4,637	-	4,637
Earnings on Investments	634	-	634
Miscellaneous	312	-	312
<i>Total Cash Receipts</i>	<u>75,467</u>	<u>-</u>	<u>75,467</u>
Cash Disbursements			
Current:			
Conservation/Recreation			
Salaries	24,588	-	24,588
Material and Supplies	13,186	-	13,186
Contracts - Repair	2,114	-	2,114
Contracts - Services	3,820	-	3,820
Advertising and Printing	573	-	573
Utilities	5,368	-	5,368
Other	3,538	-	3,538
Capital Outlay	9,342	-	9,342
<i>Total Cash Disbursements</i>	<u>62,529</u>	<u>-</u>	<u>62,529</u>
<i>Excess of Receipts Over Disbursements</i>	12,938	-	12,938
<i>Fund Cash Balances, January 1</i>	<u>38,911</u>	<u>136,802</u>	<u>175,713</u>
Fund Cash Balances, December 31			
Restricted	-	136,802	136,802
Assigned	1,000	-	1,000
Unassigned (Deficit)	50,849	-	50,849
<i>Fund Cash Balances, December 31</i>	<u>\$ 51,849</u>	<u>\$ 136,802</u>	<u>\$ 188,651</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 21, 2012 AND 2011**

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 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 payroll 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 – In previous years, this fund received proceeds from taxes levied for the repayment of bonds, notes, and certificates of indebtedness. Due to all such debt being fully retired, the District obtained approval from the Morrow County Common Pleas Court to transfer the remaining Bond Levy Fund balance of \$136,802 to the General Fund in 2012.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(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 fund, function or object level of control, and appropriations may not exceed estimated resources. The District Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The District classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

The Board can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the District Board or a District official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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:

	<u>2012</u>	<u>2011</u>
Deposits	\$154,805	\$188,651

Deposits are insured by the Federal Depository Insurance Corporation.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$208,001	\$216,011	\$8,010
Debt Service	0	0	0
Total	\$208,001	\$216,011	\$8,010

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$154,555	\$113,781	\$40,774
Debt Service	136,802	136,802	0
Total	\$291,357	\$250,583	\$40,774

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$67,500	\$75,467	\$7,967
Debt Service	0	0	0
Total	\$67,500	\$75,467	\$7,967

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$94,833	\$63,529	\$31,304
Debt Service	0	0	0
Total	\$94,833	\$63,529	\$31,304

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.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

5. Social Security System

All District employees work on a temporary, part-time basis during the summer months, and pay into Social Security. The District's liability is 6.2 percent of wages paid.

6. Risk Management

The District has obtained commercial insurance for the following risks:

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

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INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Cardington-Lincoln Joint Recreation District, Morrow County, Ohio, (the District) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated October 14, 2013, wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also noted the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency in internal control. We consider finding 2012-001 to be a significant deficiency.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

October 14, 2013

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

Timely Posting of Transactions / Monthly Bank Reconciliations – Significant Deficiency

Receipts and expenditures should be posted to the accounting ledgers in a timely manner to allow for monitoring and accurate reporting of the District's financial activity. Additionally, monthly bank reconciliations should be performed by the Fiscal Officer 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. Once completed, the reconciliation should be reviewed for completeness and accuracy by the Board.

The District's previous Fiscal Officer did not post receipts or expenditures to the accounting ledgers during the period from July 2012 through December 2012. In September 2013, the current Fiscal Officer prepared the District's accounting ledgers, including monthly bank reconciliations, for July 2012 through December 2012 upon request from the Auditor of State in order to perform the financial audit.

When transactions are not posted timely and bank reconciliations are not performed, the Board does not have accurate knowledge of the financial status of the District. Also, lack of monitoring of monthly financial reports and bank reconciliations may lead to errors, irregularities, or misappropriation of the District's assets as well as misstated financial statements.

We recommend the Fiscal Officer post all receipt and expenditures transactions to the accounting ledgers in the proper period and in a timely manner to aid in the reconciliation process. Monthly bank to book reconciliations should be performed that properly account for all transactions during the respective month as well as all reconciling items. We further recommend the Fiscal Officer provide the Board monthly system-generated financial reports, including detailed revenue and expenditure transaction reports, budget versus actual revenue and expenditure reports, bank reconciliation report, and fund balance reports. These reports should be reviewed by the Board and appropriate follow-up should be made regarding any unusual balances or transactions.

Officials' Response:

To correct this issue, we are currently posting all accounting activity in QuickBooks and preparing monthly bank reconciliations. This was just completed. Historically, during the previous months, excel spreadsheet reports reflecting all accounting activity as well as accurate cash balances were provided to the Board at each monthly meeting. The current Fiscal Officer began in April 2013, and these reports were provided to the Board beginning in May 2013. These reports reflected all historical months as well as the activity to date. These practices will continue all the while working on improving our processes and procedures.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Pool Receipt Supporting Documentation	Yes	
2010-002	Material Noncompliance/Material Weakness – Receipt Posting	Yes	
2010-003	Material Noncompliance/Material Weakness – Expenditure Posting	Yes	
2010-004	Material Noncompliance - Expenditures Exceed Appropriations	Yes	
2010-005	Material Noncompliance - Certification of Expenditures	No	Partially Corrected. Comment is being repeated in current audit management letter.



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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 26, 2013**