



**Auditor of State
Betty Montgomery**

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

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**Auditor of State
Betty Montgomery**

Cardington-Lincoln Joint Recreation District
Morrow County
P.O. Box 63
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 a February 2, 2005 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 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

September 2, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Cardington-Lincoln Joint Recreation District
Morrow County
P.O. Box 63
Cardington, Ohio 43315

To the Recreation Board:

We have audited the accompanying financial statements of the Cardington-Lincoln Joint Recreation District, Morrow County, Ohio, (the District) as of and for the years ended December 31, 2004, and December 31, 2003. 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.

Because of inadequacies in the District's accounting records, we were unable to determine the completeness of charges for services receipts for 2004 or 2003, or the existence of payroll expenditures for 2003, in the accompanying financial statements, nor were we able to satisfy ourselves as to those financial activities 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.

Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to reformat its statements. Since the District does not use GAAP to measure financial statement amounts, 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, 2004 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, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined necessary had charges for services or payroll expenditures been susceptible to satisfactory audit tests, 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, as of December 31, 2004 and December 31, 2003, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the District to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 2, 2005, 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.



Betty Montgomery
Auditor of State

September 2, 2005

**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, 2004**

	<u>Governmental Fund Type</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Debt Service</u>	
Cash Receipts:			
General Property Tax - Real Estate	\$28,115	\$68,860	\$96,975
Intergovernmental	22,121	7,430	29,551
Investment Income	777	0	777
Charges for Services	23,749	0	23,749
Other Receipts	220	0	220
	<u>74,982</u>	<u>76,290</u>	<u>151,272</u>
Cash Disbursements:			
Current:			
Salaries - Employees	26,735	0	26,735
Supplies	10,202	0	10,202
Utilities	5,761	0	5,761
Contracts - Repair	8,539	0	8,539
Contracts - Services	2,500	0	2,500
Advertising and Printing	83	0	83
Capital Outlay	2,237	0	2,237
Debt:			
Payment of Principal	0	26,676	26,676
Payment of Interest	0	11,469	11,469
Other	2,723	2,034	4,757
	<u>58,780</u>	<u>40,179</u>	<u>98,959</u>
Total Cash Disbursements	<u>58,780</u>	<u>40,179</u>	<u>98,959</u>
Total Receipts Over Disbursements	16,202	36,111	52,313
Fund Cash Balances, January 1	<u>7,625</u>	<u>89,291</u>	<u>96,916</u>
Fund Cash Balances, December 31	<u>\$23,827</u>	<u>\$125,402</u>	<u>\$149,229</u>

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

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

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

	<u>Governmental Fund Type</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Debt Service</u>	
Cash Receipts:			
General Property Tax - Real Estate	\$24,363	\$60,894	\$85,257
Intergovernmental	3,515	6,944	10,459
Investment Income	1,202	0	1,202
Charges for Services	25,931	0	25,931
Other Receipts	17	0	17
	<u>55,028</u>	<u>67,838</u>	<u>122,866</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Salaries - Employees	25,094	0	25,094
Supplies	11,864	0	11,864
Utilities	5,277	0	5,277
Contracts - Repair	1,072	0	1,072
Contracts - Services	2,108	0	2,108
Advertising and Printing	340	0	340
Capital Outlay	25,559	0	25,559
Debt:			
Payment of Principal	0	25,299	25,299
Payment of Interest	0	12,845	12,845
Other	4,967	0	4,967
	<u>76,281</u>	<u>38,144</u>	<u>114,425</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	(21,253)	29,694	8,441
Fund Cash Balances, January 1	<u>28,878</u>	<u>59,597</u>	<u>88,475</u>
Fund Cash Balances, December 31	<u>\$7,625</u>	<u>\$89,291</u>	<u>\$96,916</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The District's management believes these financial statements present all activities for which the District is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements 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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

The District values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

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

2. Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

2. EQUITY IN POOLED CASH

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

	2004	2003
Demand deposits	\$88,495	\$36,714
Certificates of deposit	60,734	60,202
Total deposits	\$149,229	\$96,916

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the District.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and December 31, 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$56,000	\$74,982	\$18,982
Debt Service	67,100	76,290	9,190
Total	\$123,100	\$151,272	\$28,172

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$77,966	\$58,780	\$19,186
Debt Service	40,179	40,179	0
Total	\$118,145	\$98,959	\$19,186

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$55,900	\$55,028	(\$872)
Debt Service	59,900	67,838	7,938
Total	\$115,800	\$122,866	\$7,066

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$68,745	\$76,281	(\$7,536)
Debt Service	38,145	38,144	(1)
Total	\$106,890	\$114,425	(\$7,537)

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

4. PROPERTY TAX

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

Property owners assess tangible personal property tax. They must file a list of this 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, 2004 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$ 193,465	5.37%

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

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

Year ending December 31:	General Obligation Bonds
2005	\$38,145
2006	38,145
2007	38,145
2008	38,145
2009	38,145
2010	38,145
Total	\$228,870

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. RETIREMENT SYSTEM

The District's part-time employees contribute to Social Security, a social benefit plan. This plan provides retirement benefits including survivor and disability benefits to participants. For 2004 and 2003, employees contributed 6.2 percent of their gross salaries and the District contributed 6.2 percent of participants' gross salaries to the plan.

7. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

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**Auditor of State
Betty Montgomery**

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

Cardington-Lincoln Joint Recreation District
Morrow County
P.O. Box 63
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, 2004 and December 31, 2003, and have issued our report thereon dated September 2, 2005, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We were unable to determine completeness of charges for services revenue for 2004 or 2003, or the existence of payroll expenditures for 2003. 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-001 and 2004-002.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions. We consider reportable conditions 2004-001 and 2004-002 listed above to be material weaknesses. In a separate letter to the District's management dated September 2, 2005, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

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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 we must report under *Government Auditing Standards* which is described in the schedule of findings as finding numbers 2004-003 and 2004-004. In a separate letter to the District's management dated September 2, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and the Recreation Board. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

September 2, 2005

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

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

FINDING NUMBER 2004-001

REPORTABLE CONDITIONS

Cash Collection Procedures

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

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

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

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

FINDING NUMBER 2004-002

Retention of Payroll Records

Employees of the Recreation District complete weekly time sheets to document the hours worked during each pay period. Completed time sheets are reviewed and approved by pool managers, and are then submitted to the payroll processor who utilizes the information on the time sheet to calculate and process the weekly payroll expenditures for each employee.

The District did not retain timesheets for employees during the majority of 2003, and as a result, ninety percent of total payroll expenditures in 2003 were not supported by valid time sheets.

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2004-002 (Continued)

REPORTABLE CONDITIONS (Continued)

Retention of Payroll Records (Continued)

The District should retain all employee timesheets as submitted for processing during each weekly payroll expenditure cycle. In addition, the District should ensure all time sheets have been reviewed and approved by the appropriate supervisor and should retain these records with the weekly payroll summary report to corroborate the total amount paid to each employee during the pay period. By retaining these records the District can gain assurance that each employee's weekly gross pay is accurate and the expenditure is valid, based on the information listed on the approved time sheet.

FINDING NUMBER 2004-003

NONCOMPLIANCE CITATIONS

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 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.

There are several exceptions to the standard requirement stated above. 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 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 District 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 (\$1,000 prior to April 7, 2003) 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 District.

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2004-003 (Continued)

NONCOMPLIANCE CITATIONS (Continued)

Certification of Expenditures (Continued)

2. Blanket Certificate – Fiscal officers 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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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 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 extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

One-hundred percent of expenditures tested were not certified prior to the commitment being incurred, nor were they certified using a then-and-now certification. This procedure is not only required by Ohio law, but is a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of the District’s funds being over expended or exceeding budgetary spending limitations.

We recommend the District 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 fiscal officer should sign the certification at the time the District incurs a commitment, and only when the requirements of 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 2004-004

Ohio Revised Code § 5705.10 states in part that all revenue derived from levies for general or special levies, whether within or in excess of the ten-mill limitation, which is levied for all debt charges on serial bonds, notes or certificates of indebtedness having a life less than 5 years shall be paid into the bond retirement fund. Ohio Revised Code § 5705.09 C requires that each subdivision establish a bond retirement fund, for the retirement of serial bonds, notes, or certificates of indebtedness.

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

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

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	ORC § 5705.41 (D) – Certification of expenditures.	No	Reissued as current finding 2004-003
2002-002	ORC § 5705.41 (B) – Expenditures in excess of appropriations.	No	Reissued as current management letter comment.
2002-003	Cash collection procedures.	No	Reissued as current finding 2004-001



**Auditor of State
Betty Montgomery**

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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
OCTOBER 4, 2005**