



Mary Taylor, CPA
Auditor of State

**HERITAGE TRAILS PARK DISTRICT
AUGLAIZE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Change in Fund Cash Balance – General Fund - For the Year Ended December 31, 2007	5
Statement of Cash Receipts, Cash Disbursements, and Change in Fund Cash Balance – General Fund - For the Year Ended December 31, 2006.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13

This page intentionally left blank.



Mary Taylor, CPA
Auditor of State

Heritage Trails Park District
Auglaize County
P.O. Box 63
St. Marys, Ohio 45885

To the Board of Commissioners:

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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 20, 2008

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Heritage Trails Park District
Auglaize County
P.O. Box 63
St. Marys, Ohio 45885

To the Board of Commissioners:

We have audited the accompanying financial statements of the Heritage Trails Park District, Auglaize County, (the District), as of and for the years ended December 31, 2007 and 2006. 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.

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 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.

While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 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, 2007 and 2006, 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 fund cash balances of the Heritage Trails Park District, Auglaize County, as of December 31, 2007 and 2006, 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 August 20, 2008, 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 20, 2008

HERITAGE TRAILS PARK DISTRICT
AUGLAIZE COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

Cash Receipts:

Intergovernmental	\$28,451
Earnings on Investments	1,936
Total Cash Receipts	<u>30,387</u>

Cash Disbursements:

Current:

Materials & Supplies	40
Contracts - Services	2,457
Advertising and Printing	113
Other	1,297
Total Cash Disbursements	<u>3,907</u>

Total Receipts Over Disbursements 26,480

Fund Cash Balance, January 1 93,404

Fund Cash Balance, December 31 \$119,884

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

HERITAGE TRAILS PARK DISTRICT
AUGLAIZE COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

Cash Receipts:

Intergovernmental	\$40,482
Earnings on Investments	3,322
Total Cash Receipts	<u>43,804</u>

Cash Disbursements:

Current:

Materials & Supplies	2,222
Contracts - Services	357
Other	1,655
Total Cash Disbursements	<u>4,234</u>

Total Receipts Over Disbursements 39,570

Fund Cash Balance, January 1 53,834

Fund Cash Balance, December 31 \$93,404

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

**HERITAGE TRAILS PARK DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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 Heritage Trails Park District, Auglaize County, (the "District") as a body corporate and politic. The probate judge of Auglaize County appoints a three-member Board of Commissioners to govern the District.

The Commissioners are authorized to acquire, develop, protect, maintain, and improve park lands and facilities. The Commissioners may convert acquired land into forest reserves. The Commissioners are also responsible for activities related to conserving natural resources, including streams, lakes, submerged lands, and swamp lands. The Board may also create parks, parkways, and other reservations and may afforest, develop, improve and protect and promote the use of these assets conducive to the general welfare.

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.

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

C. Cash and Investments

The District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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 fund into the following type:

1. General Fund

The General Fund accounts for all financial resources except those required to be accounted for in another fund. There are currently no other funds at this time.

**HERITAGE TRAILS PARK DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires the Board of Commissioners to budget each fund annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function level of control, and appropriations may not exceed estimated resources. The District 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 2007 and 2006 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 AND INVESTMENTS

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

	<u>2007</u>	<u>2006</u>
Demand deposits	\$39,884	\$13,404
Certificates of deposit	80,000	80,000
Total deposits	<u>\$119,884</u>	<u>\$93,404</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

**HERITAGE TRAILS PARK DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$92,000	\$30,387	(\$61,613)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$3,907	(\$3,907)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$43,804	\$43,804

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$4,234	(\$4,234)

Contrary to Ohio law, the Board of Commissioners did not adopt an operating budget for 2006; they did not prepare a certificate of the total amount from sources available for expenditures for either 2007 or 2006; they did not pass annual appropriation measures for either 2007 or 2006; and they did not reserve (encumber) appropriations when commitments were made.

4. RISK MANAGEMENT

Commercial Insurance

The District is uninsured for comprehensive property and general liability.

5. SUBSEQUENT EVENTS

On March 12, 2008, the Board of Park Commissioners approved to transfer funds to the Auglaize County Treasurer. The Treasurer of Auglaize County took custody of all the Park District's funds as of April 1, 2008.

On April 2, 2008, the Board was notified that the Executive Director, Allison Brady, would receive her first paycheck in the amount of \$7,200 on April 11, 2008, to cover the period of her employment from December 1, 2007 through April 2, 2008. The Executive Director had agreed to not be paid until Auglaize County took over custody of the District's funds.

On May 7, 2008, the Board of Park Commissioners approved a lease for a John Deere dozer to be used for trail development and improvement between Lock 14 and Glynwood Road. The actual lease was signed on June 3, 2008 for a 10-month lease, with payments of \$4,500 due each month for 10 months, with an option to purchase the dozer at the end of the lease for \$46,724.

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

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

Heritage Trails Park District
Auglaize County
P.O. Box 63
St. Marys, Ohio 45885

To the Board of Commissioners:

We have audited the financial statements of the Heritage Trails Park District, Auglaize County, (the District), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 20, 2008, 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 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.

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.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the District's management in a separate letter dated August 20, 2008.

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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated August 20, 2008.

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

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



Mary Taylor, CPA
Auditor of State

August 20, 2008

HERITAGE TRAILS PARK DISTRICT
AUGLAIZE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-001

Noncompliance – Budgetary Requirements

The Park District is their own legally separate entity established under Ohio Rev. Code 1545, and should comply with the applicable Ohio Revised Code sections pertaining to budgetary requirements as follows:

- **Ohio Rev. Code Section 5705.28(B)(2)(a)** requires that on or before the fifteenth day of July each year, such 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.

The Park District is required by the Budget Commission to file this budget as part of their requirements to receive local government moneys as requested.

The District failed to adopt such operating budget for 2006, and did not adopt the 2008 operating budget until January 3, 2008. The late filing of the 2008 operating budget with the County Auditor resulted in local government funds being held from the park district. The payments issued by the County in September, October, November, and December 2007, were not released to the Park District until January 2008, after they filed their operating budget as required.

- **Ohio Rev. Code Section 5705.36(A)(1)** requires that on or about the first day of each fiscal year the fiscal officer shall prepare a certificate of the total amount from all sources which is available for expenditure in the tax budget along with any encumbered balances that existed at the end of the preceding year.

No such certificates were filed by the Park District in 2006 or 2007.

- **Ohio Rev. Code Section 5705.38(A)** requires that on or about the first day of each year, the Board shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate. If it desires to postpone the passage of the annual appropriation measure until an amended certificate is received based on the actual balances, it may pass a temporary appropriation measure for meeting the ordinary expenses of the entity until no later than the first day of April of the current year, and the appropriations made in the temporary measure shall be chargeable to the appropriations in the annual appropriation measure for that fiscal year when passed.

No appropriation measures were adopted by Board in 2006 or 2007.

- **Ohio Rev. Code Section 5705.39** requires that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure, as certified by the budget commission. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund do not exceed such official estimate.
- **Ohio Rev. Code Section 5705.40** stipulates that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation.

**FINDING NUMBER 2007-001
(Continued)**

- **Ohio Rev. Code Section 5705.41** states that no subdivision or taxing unit shall: (A) Make any appropriation of money except as provided in Chapter 5705 of the Revised Code; provided, that the authorization of a bond issue shall be deemed to be an appropriation of the proceeds of the bond issue for the purpose for which such bonds were issued, but no expenditure shall be made from any bond fund until first authorized by the taxing authority; (B) Make any expenditure of money unless it has been appropriated as provided in such chapter; and (D) Make any orders or contracts involving the expenditure of money unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

No appropriation measures were adopted by the Board, and no purchase orders certifying the money was available were issued in 2006 or 2007.

The Park District, as a legally separate entity established under Ohio Rev. Code 1545, should follow the budgetary requirements of the Ohio Revised Code. These documents should be completed, and Board approval documented within the minutes.

OFFICIALS' RESPONSE:

The Heritage Trails Park District's fiscal responsibilities have been moved to the Auglaize County Auditor and Treasurer. This action was initiated in January 2008 and took place on April 1, 2008.



Mary Taylor, CPA
Auditor of State

HERITAGE TRAILS PARK DISTRICT

AUGLAIZE 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
SEPTEMBER 25, 2008**