



**Auditor of State
Betty Montgomery**

**BELLAIRE PARK DISTRICT
BELMONT COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Bellaire Park District
Belmont County
P.O. Box 9
Bellaire, Ohio 43906

We were engaged to audit the financial statements of the Bellaire Park District, Belmont County, Ohio (the District), as of and for the years ended December 31, 2003, 2002, 2001, 2000 and 1999. These financial statements are the responsibility of the District's management.

The accompanying 2003 financial statement presents receipts and disbursements by totals only. Ohio Administrative Code Section 117-2-02(A) requires governments to classify receipt and disbursement transactions. In addition, we were unable to obtain source documentation to support the receipt and disbursement totals of the 2003 financial statement. Since the District did not classify receipt and disbursement transactions for financial statement for year ending December 31, 2003, or provide source documentation to support the receipts and disbursements of the 2003 financial statement and we were not able to apply alternative auditing procedures to satisfy ourselves as to the completeness, existence and valuation of receipts and disbursements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the 2003 financial statement.

Since the District did not present or prepare financial statements for the years ended December 31, 2002, 2001, 2000 and 1999, we did not audit any activity during those years, and accordingly, express no opinion or other assurances for the financial activity during the years ended December 31, 2002, 2001, 2000 and 1999.

As discussed in Note 1, except for classifying receipts and disbursements, the District prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Because of the effects of the matters discussed in paragraph two, the scope of our audit was not sufficient to enable us to express, and we do not express an opinion on the 2003 financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2004 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 grants. That report is an integral part of an engagement performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our engagement.

Bellaire Park District
Belmont County
Independent Accountants' Report
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This report is intended solely for the information and use of management, the Board of Park Commissioners, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be, and should not be used by anyone other than these specified parties.

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Betty Montgomery
Auditor of State

May 14, 2004

BELLAIRE PARK DISTRICT
BELMONT COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>2003</u>
Cash Receipts:	
General Receipts	<u>\$41,261</u>
Total Cash Receipts	<u>41,261</u>
Cash Disbursements:	
General Disbursements	<u>37,176</u>
Total Cash Disbursements	<u>37,176</u>
Total Cash Receipts Over/(Under) Cash Disbursement	<u>4,085</u>
Cash Balance, January 1	<u>16,781</u>
Cash Balance, December 31	<u><u>\$20,866</u></u>

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

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**BELLAIRE PARK DISTRICT
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Bellaire Park District, Belmont County (the District), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by a three-member Board of Commissioners appointed by the probate judge of Belmont County. The District operates a swimming pool.

The District's management believes this financial statement presents all activities for which the District is financially accountable.

B. Basis of Accounting

This financial statement follows the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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).

The District did not classify its receipts or disbursements in the accompanying 2003 financial statement. This is a material departure from the requirements of Ohio Administrative Code Section 117-02-02(A). This Ohio Administrative Code Section requires classifying receipts and disbursements.

The District declined to present or prepare financial statements for the years ended December 31, 2002, 2001, 2000, and 1999.

C. Budgetary Process

The Ohio Revised Code requires the District to budget annually. However, the District did not follow the requirements listed below.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund or legal level of control 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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The District did not properly use the encumbrance method of accounting.

**BELLAIRE PARK DISTRICT
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2003
(Continued)**

3. CASH

The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31, 2003 was \$20,866. Deposits are insured by the Federal Deposit Insurance Corporation.

4. RETIREMENT SYSTEM

The District's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003, members of OPERS contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries through December 31, 2003. The District has paid all contributions required through December 31, 2003.

5. RISK MANAGEMENT

Risk Pool Membership

The District belongs to the Public Entities Pool of Ohio (PEP), a risk sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgements, settlements and other expenses resulting from covered claims that exceed the member's deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks including automobile physical damage up to \$100,000 on any specific loss with an aggregate of \$700,000 for 2001 and \$1,250,000 for 2002 (latest information available). The Travelers Indemnity Company reinsures specific losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**BELLAIRE PARK DISTRICT
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2003
(Continued)**

5. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2002 and 2001 (latest information available):

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$20,174,977	\$19,358,458
Liabilities	<u>(8,550,749)</u>	<u>(8,827,588)</u>
Retained earnings	<u>\$11,624,228</u>	<u>\$10,530,870</u>
<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$2,565,408	\$1,890,323
Liabilities	<u>(655,318)</u>	<u>(469,100)</u>
Retained earnings	<u>\$1,910,090</u>	<u>\$1,421,223</u>

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Bellaire Park District
Belmont County
P.O. Box 9
Bellaire, Ohio 43906

To the Board of Commissioners:

We were engaged to audit the accompanying financial statements of Bellaire Park District, Belmont County, Ohio (the District), as of and for the years ended December 31, 2003, 2002, 2001, 2000 and 1999, wherein we expressed no opinion on the 2003 financial statement since the District did not provide source documentation and did not classify receipts and disbursements and the District declined to present or prepare financial statements for the years ended December 31, 2002, 2001, 2000 and 1999, and have issued our report thereon dated May 14, 2004.

Compliance

As part of our engagement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our engagement and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2003-001 through 2003-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated May 14, 2004.

Internal Control Over Financial Reporting

Our engagement was not designed to provide assurance 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 to be a reportable condition. 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 judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2003-004 through 2003-008.

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe the reportable conditions described as findings 2003-004 through 2003-007 are material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the District in a separate letter dated May 14, 2004.

This report is intended solely for the information and use of management and the Board of Park Commissioners, and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 14, 2004

**BELLAIRE PARK DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003, 2002, 2001, 2000 and 1999**

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

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made 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. The following exceptions to this basic requirement are provided by statute:

- A. Then and Now Certificates - This exception provides that, if the fiscal officer can certify that both at the time the contract or order was made and at the time that the fiscal officer is completing their certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
- B. Amounts of less than \$1,000 (which was increased to \$3,000 on April 7, 2003) may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

Fiscal officers may prepare so-called "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding 3 months or 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. Effective September 26, 2003, the \$5,000 limit on the issuance of purchase orders and the requirement that purchase orders not extend beyond three months have been removed from the law. Effective September 26, 2003, 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.

In addition to these blanket certificates, a subdivision may also make expenditures and contracts 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. These are called super blankets. This certification is not to extend beyond the fiscal year. More than one blanket certificate may be outstanding at one particular time for a particular line-item appropriation account.

The District's prior certification was not obtained during the years 2003, 2002, 2001, 2000 and 1999 for 100% of the transactions we reviewed, and there was no evidence of a "then and now" certificate being used by the District.

We recommend the District obtain prior certification before incurring any obligation. In addition, we recommend the District consider utilizing super blankets for specific recurring and reasonably predictable operating expenses.

**BELLAIRE PARK DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003, 2002, 2001, 2000 and 1999
(Continued)**

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

FINDING NUMBER 2003-002

Noncompliance Citation

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

The District did not pass any permanent appropriation measures for the years 2003, 2002, 2001, 2000 and 1999, therefore all funds had expenditures which exceeded appropriations.

We recommend the District annually pass a permanent appropriation resolution and review the appropriation balances each month and approve appropriation amendments as needed, prior to expending funds in excess of existing appropriations. The District Clerk should deny any payments when the expenditures exceed appropriations.

FINDING NUMBER 2003-003

Noncompliance Citation

Ohio Revised Code § 5705.38 states that, on or about the first day of each year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure. If the subdivision desires to postpone the passage of an annual appropriation measure until an amended certificate is received based on actual balances, it may pass a temporary appropriation for meeting ordinary expenses of the taxing unit until not later than the first day of April of the current year, and the appropriations made therein shall be chargeable to the appropriations in the annual appropriation measure for that fiscal year when passed.

The District failed to pass a temporary or permanent appropriation measure for the years 2003, 2002, 2001, 2000 and 1999. The District did not pass a temporary appropriation measure at the beginning of these years to cover the time until the permanent appropriation measure was passed.

We recommend the District pass the appropriation measure at the beginning of the year. If the District wants to postpone the appropriation measure until later in the year, they should pass a temporary appropriation measure.

**BELLAIRE PARK DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003, 2002, 2001, 2000 and 1999
(Continued)**

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

FINDING NUMBER 2003-004

Noncompliance Citation/Material Weakness

The District should maintain adequate financial and budgetary records to provide ongoing and timely information.

Ohio Admin. Code Section 117-2-02(A) requires all local public offices to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Ohio Admin. Code Section 117-2-02(C), provides suggested systems and documents that may be used to effectively maintain the accounting and budgetary records of the local public office:

- The District should integrate the budgetary accounts, at the legal level of control, into the accounting system. The legal level of control is established by the level at which the legislative body appropriates.
- Purchase orders should be used to approve purchase commitments and to encumber funds against the applicable appropriation accounts. Purchase orders are not effective unless the fiscal officer's certificate is attached.
- Vouchers may be used as a written order authorizing the drawing of a check in payment of a lawful obligation. Each voucher shall contain the date, purchase order number, the line item to be charged, amount and approval.

Ohio Admin. Code Section 117-2-02 (D) provides that all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:

- Cash journal, which typically contains the following information: the amount, date, receipt number, check number, line item, and purchase order number.
- Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt. The amount, date, name of payor, purpose, and receipt number can be recorded in this ledger.
- Appropriation ledger, which may assemble and classify disbursements or expenditures into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, line item, date, check number, purchase order number, encumbrance amount, unencumbered balance, and amount of disbursement can be recorded in this ledger.
- Payroll Journal, which records, assembles and classifies by pay period the name of the employee, social security number, hours worked, wage rates, pay dates, withholdings by type, net pay, and the fund and account charged for the payments.

The District failed to maintain proper accounting and budgetary records during 2003, 2002, 2001, 2000 and 1999. The District maintained a check register, but did not classify receipts and disbursements or maintain any of the records described in the preceding paragraph. Purchase orders and vouchers were not used during 2003, 2002, 2001, 2000 and 1999.

Using the aforementioned accounting and budgeting records and documents will provide the District with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

**BELLAIRE PARK DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003, 2002, 2001, 2000 and 1999
(Continued)**

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

FINDING NUMBER 2002-005

Material Weakness

The District did not maintain records for daily admissions to the swimming pool, sales of concession items, pool memberships, and pool rentals. Revenue from these recreational activities was deposited, in total, to the bank account without any documented support that would classify the different sources of revenue.

As a result, the District has no means of determining if the rate structure for services is adequate. In addition, the District should have concerns in regards to the completeness of collections.

We recommend the District establish a procedure that will track the number of daily ticket sales for the swimming pool by using a manual counter or the use of pre-numbered tickets. As an alternative, the District could have a supervisor periodically perform headcounts and compare to the daily revenue turned in. The District should also have a procedure to follow sales in the concession area. In addition, pool rentals, recreation center rentals, ball field rentals and season pool passes should be documented with pre-numbered contracts and pre-numbered passes.

Without these controls, there is little assurance that all receipts are being deposited. The lack of completeness controls increases the possibility of theft of cash.

FINDING NUMBER 2002-006

Material Weakness

The completed voucher packages should be the basis for the preparation of checks. The package should include the voucher signed by the appropriate officials to document their approval, the original invoice approved by the receiving employee or official to document the receipt of the goods or services and the accuracy of the quantity and price, and a copy of the requisition or purchase order to document the fiscal officer's prior certification that sufficient appropriations and resources were available to meet the obligation.

The District did not always present complete voucher packages to support expenditures. Vouchers were not effectively utilized by the District to document approval of expenditures. In 80% of the expenditures reviewed, the expenditure was not supported by invoice or supporting documentation. This practice and lack of adequate supporting documentation could result in improper, unauthorized expenditures being made.

We recommend that all expenditures be supported by complete voucher packages, including the voucher signed by the appropriate officials to document their approval, the original invoice approved by the receiving employee or official to document the receipt of goods or services and the accuracy of the quantity and price, a copy of the requisition or purchase order to document the fiscal officer's prior certification, to help insure that all District expenditures are for goods or services received, properly approved, and for a proper public purpose.

**BELLAIRE PARK DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003, 2002, 2001, 2000 and 1999
(Continued)**

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

FINDING NUMBER 2002-007

Material Weakness

The District's procedures for reconciling the bank account consisted mainly of tickmarking the bank statement to indicate which checks cleared the bank. No formal reconciliation was performed.

As a result, the District had no means of agreeing the amount stated on the check register to the amount in the bank depository.

We recommend the District reconcile the bank depository amount to the balance maintained on the check register. In addition, if the District implements a procedure to record all financial activity in a cash journal, the balance in the cash journal could be reconciled to the bank depository amount.

FINDING NUMBER 2002-008

Reportable Condition

The Clerk was required to perform all accounting functions, which did not provide for an adequate segregation of duties. The Board of Commissioners did not ask for, or receive, any financial reports from the Clerk. It was not documented in the minutes that the Board of Commissioners reviewed the bills at each monthly meeting and or made a motion to pay the bills.

The lack of providing the Board with current financial information could lead the Board to make financial decisions without adequate knowledge of the District's financial status. Although, the District's process for approval of checks did require one Board member's signature and the Clerk's signature.

We recommend the District have the Clerk prepare monthly for their review, the monthly bank reconciliation, fund status report, budget vs. actual fund report, list of bills to be paid and a monthly check register report. The Board should review these reports and document their approval of these reports in the monthly minutes. Additionally, the Board of Commissioners should periodically review the accounting records to ensure they are up-to-date.



**Auditor of State
Betty Montgomery**

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BELLAIRE PARK DISTRICT

BELMONT 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
JULY 20, 2004**