



**Auditor of State
Betty Montgomery**

MEAD TOWNSHIP PARK DISTRICT
BELMONT COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Mead Township Park District
Belmont County
438 West 43rd Street
Shadyside, Ohio 43947

To the Board of Park Commissioners:

We have audited the accompanying financial statement of the Mead Township Park District, Belmont County, Ohio (the District), as of and for the year ended December 31, 2003. This financial statement is the responsibility of the District's management. Our responsibility is to express an opinion on this financial statement 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the District prepares its financial statement 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.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Mead Township Park District, Belmont County, as of December 31, 2003, and its cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 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 audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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.

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

Betty Montgomery
Auditor of State

November 29, 2004

**MEAD TOWNSHIP PARK DISTRICT
BELMONT COUNTY**

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

Cash Receipts:	
Intergovernmental	\$29,924
Other	<u>1,728</u>
Total Cash Receipts	<u>31,652</u>
Cash Disbursements:	
Current:	
Utilities	789
Contract Services	3,415
Material and Supplies	6,134
Insurance	4,180
Capital Outlay	13,806
Other	<u>117</u>
Total Cash Disbursements	<u>28,441</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>3,211</u>
Cash Balance, January 1	<u>4,101</u>
Cash Balance, December 31	<u><u>\$7,312</u></u>

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

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**MEAD TOWNSHIP PARK DISTRICT
BELMONT COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Mead Township 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 leases property to operate certain recreational facilities (ballfields) within Mead Township.

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).

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 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 use the encumbrance method of accounting.

**MEAD TOWNSHIP PARK DISTRICT
BELMONT COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statement.

2. CASH

The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31, 2003 was \$7,312. Deposits are insured by the Federal Deposit Insurance Corporation.

3. 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 coverage 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 judgments, 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 claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, 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 annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding 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 township.

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:

MEAD TOWNSHIP PARK DISTRICT
BELMONT COUNTY

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

3. RISK MANAGEMENT (Continued)

<u>Casualty Coverage</u>	<u>2003</u>
Assets	\$25,288,098
Liabilities	<u>(12,872,985)</u>
Retained earnings	<u>\$12,415,113</u>

<u>Property Coverage</u>	<u>2003</u>
Assets	\$3,158,813
Liabilities	<u>(792,061)</u>
Retained earnings	<u>\$2,366,752</u>

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Auditor of State Betty Montgomery

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

Mead Township Park District
Belmont County
438 West 43rd Street
Shadyside, Ohio 43947

To the Board of Park Commissioners:

We have audited the accompanying financial statement of Mead Township Park District, Belmont County, Ohio (the District), as of and for the year ended December 31, 2003, and have issued our report thereon dated November 29, 2004. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed instances of noncompliance that we must report 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 the District's management in a separate letter dated November 29, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not 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 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 statement. Reportable conditions are described in the accompanying Schedule of Findings as items 2003-004 through 2003-007.

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 statement 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 that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider items 2003-004 through 2003-006 listed above to be 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 the District's management in a separate letter dated November 29, 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

November 29, 2004

MEAD TOWNSHIP PARK DISTRICT
BELMONT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003

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

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) provides that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached 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 Ohio Rev. Code Section 5705.41(D)(1):

1. Then and Now Certificate - If the fiscal officer can certify that both at the time the contract or order was made and at the time that he/she is completing his/her 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 for the payment of the amount due. 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.

Amounts of less than \$1,000 (\$3,000 after 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.

2. Blanket Certificate - 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 blanket certificates and the requirement that blanket certificates not extend beyond three months have been removed from the law. Effective September 26, 2003, blanket certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

3. Super Blanket Certificate - 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 certification of available funds was not obtained for 100% of transactions tested and there was no evidence of a "Then and Now" certificate being used by the District Clerk.

We recommend District officials obtain the District Clerk's prior certification of available funds for all expenditures prior to incurring the obligation.

**MEAD TOWNSHIP PARK DISTRICT
BELMONT COUNTY**

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

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

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Rev. Code Section 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 year 2003.

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.

FINDING NUMBER 2003-003

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 a permanent appropriation measure for the year 2003; therefore, all expenditures 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 expenditures exceed appropriations.

**MEAD TOWNSHIP PARK DISTRICT
BELMONT COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS 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.

The District Clerk did not maintain proper accounting and budgetary records during 2003; however, starting in July 2003 the District Clerk did start and maintain a detailed cash ledger.

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.

**MEAD TOWNSHIP PARK DISTRICT
BELMONT COUNTY**

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

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

FINDING NUMBER 2003-005

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 35% 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 a 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.

FINDING NUMBER 2003-006

Material Weakness

The District's procedures for reconciling the bank account did not indicate which checks cleared the bank or if there were any reconciling items. No formal reconciliation was performed.

As a result, the District could be out of balance from the accounting records to the depository without being aware of this.

We recommend the District Clerk 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. This procedure could ensure the validity and completeness of all components of the reconciliation. In addition, any errors or unreconciled balances would be detected and investigated in a timely manner.

**MEAD TOWNSHIP PARK DISTRICT
BELMONT COUNTY**

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

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>

FINDING NUMBER 2003-007

Reportable Condition

The District Clerk was required to perform all accounting functions, which did not provide for an adequate segregation of duties.

Although, the District Clerk did provide the District with a financial report at their monthly meetings, there was no indication the District reviewed any bank reconciliations or budgetary activity. The lack of providing the District with current financial information on a regular basis could lead the District to make financial decisions without adequate knowledge of the District's financial status.

We recommend the District have the District Clerk prepare for their review, the monthly bank reconciliation and budgetary information and document their approval of these items in the monthly District minutes. Additionally, the District should periodically review the accounting records to ensure they are up-to-date and reconciled.



**Auditor of State
Betty Montgomery**

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**MEAD TOWNSHIP 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
DECEMBER 30, 2004**