



Mary Taylor, CPA
Auditor of State

**PROSPECT TOWNSHIP PARK DISTRICT
MARION COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Prospect Township Park District
Marion County
P.O. Box 426
Prospect, Ohio 43342

To the Board of Commissioners:

We have audited the accompanying financial statements of the governmental activities and the major fund of the Prospect Township Park District, Marion County, Ohio, (the District), as of and for the years ended December 31, 2007, and December 31, 2006, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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. The District processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the District because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN service, and Ohio Revised Code § 117.11 (B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and the major fund of the Prospect Township Park District, Marion county, Ohio, as of December 31, 2007 and December 31, 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the years ended in conformity with the basis of accounting Note 2 describes.

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In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 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.

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.

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

Mary Taylor, CPA
Auditor of State

December 18, 2008

PROSPECT TOWNSHIP PARK DISTRICT
MARION COUNTY

Statement of Net Assets - Cash Basis
December 31, 2007

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$14,688.43
<i>Total Assets</i>	<u>\$14,688.43</u>
Net Assets	
Unrestricted	14,688.43
<i>Total Net Assets</i>	<u>\$14,688.43</u>

See accompanying notes to the basic financial statements

**PROSPECT TOWNSHIP PARK DISTRICT
MARION COUNTY**

***Statement of Activities - Cash Basis
For the Year Ended December 31, 2007***

	Program Cash Receipts			Distribution and Change in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Conservation-Recreation	\$51,376.32	\$7,170.00	\$7,100.00	(\$37,106.32)
Capital Outlay	50,690.78	0.00	0.00	(50,690.78)
<i>Total Governmental Activities</i>	<u>\$102,067.10</u>	<u>\$7,170.00</u>	<u>\$7,100.00</u>	<u>(87,797.10)</u>
General Receipts				
Property Taxes				\$60,935.38
Grants and Entitlements not Restricted to Specific Programs				7,110.00
Earnings on Investments				<u>1,429.84</u>
<i>Total General Receipts</i>				<u>69,475.22</u>
Change in Net Assets				(18,321.88)
<i>Net Assets Beginning of Year</i>				<u>33,010.31</u>
<i>Net Assets End of Year</i>				<u>\$14,688.43</u>

See accompanying notes to the basic financial statements

PROSPECT TOWNSHIP PARK DISTRICT
MARION COUNTY

Statement of Cash Basis Assets and Fund Balance
Governmental Fund
December 31, 2007

	General Fund
Assets	
Cash and Cash Equivalents	\$14,688.43
<i>Total Assets</i>	<u>\$14,688.43</u>
Fund Balance	
Reserved:	
Reserved for Encumbrances	\$577.84
Unreserved:	
Undesignated, Reported in:	
General Fund	14,110.59
<i>Total Fund Balance</i>	<u>\$14,688.43</u>

See accompanying notes to the basic financial statements

**PROSPECT TOWNSHIP PARK DISTRICT
MARION COUNTY**

***Statement of Cash Receipts, Disbursements and Change in Cash Basis Fund Balance
Governmental Fund
For the Year Ended December 31, 2007***

	<u>GENERAL</u>
Receipts	
Property and Other Local Taxes	\$60,405.70
Intergovernmental	7,639.68
Earnings on Investments	1,429.84
Miscellaneous	<u>14,270.00</u>
Total Receipts	<u>83,745.22</u>
Disbursements	
Current:	
Conservation-Recreation	51,376.32
Capital Outlay	<u>50,690.78</u>
Total Disbursements	<u>102,067.10</u>
Excess of Receipts Under Disbursements	<u>(18,321.88)</u>
Fund Balance Beginning of Year	<u>33,010.31</u>
Fund Balance End of Year	<u><u>\$14,688.43</u></u>

See accompanying notes to the basic financial statements

**PROSPECT TOWNSHIP PARK DISTRICT
MARION COUNTY**

***Statement of Receipts, Disbursements and Change
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2007***

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$63,778.00	\$63,778.00	\$60,405.70	(\$3,372.30)
Intergovernmental	986.00	986.00	7,639.68	\$6,653.68
Earnings on Investments	1,050.00	1,050.00	1,429.84	\$379.84
Miscellaneous	10,815.00	10,815.00	14,270.00	\$3,455.00
<i>Total receipts</i>	<u>76,629.00</u>	<u>76,629.00</u>	<u>83,745.22</u>	<u>7,116.22</u>
Disbursements				
Current:				
Conservation-Recreation	60,388.24	60,388.24	51,954.16	8,434.08
Capital Outlay	19,615.00	19,615.00	50,690.78	(31,075.78)
<i>Total Disbursements</i>	<u>80,003.24</u>	<u>80,003.24</u>	<u>102,644.94</u>	<u>(22,641.70)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(3,374.24)</u>	<u>(3,374.24)</u>	<u>(18,899.72)</u>	<u>(15,525.48)</u>
<i>Unencumbered Cash Balance Beginning of Year</i>	30,956.08	30,956.08	30,956.08	0.00
Prior Year Encumbrances Appropriated	<u>2,054.23</u>	<u>2,054.23</u>	<u>2,054.23</u>	<u>0.00</u>
<i>Unencumbered Cash Balance End of Year</i>	<u>\$29,636.07</u>	<u>\$29,636.07</u>	<u>\$14,110.59</u>	<u>(\$15,525.48)</u>

See accompanying notes to the basic financial statements

PROSPECT TOWNSHIP PARK DISTRICT
MARION COUNTY

Statement of Net Assets - Cash Basis
December 31, 2006

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$33,010.31
<i>Total Assets</i>	<u>\$33,010.31</u>
Net Assets	
Unrestricted	\$33,010.31
<i>Total Net Assets</i>	<u>\$33,010.31</u>

See accompanying notes to the basic financial statements

**PROSPECT TOWNSHIP PARK DISTRICT
MARION COUNTY**

***Statement of Activities - Cash Basis
For the Year Ended December 31, 2006***

	Program Cash Receipts			Net Disbursements and Change in Net Assets
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities				
Conservation-Recreation	\$57,039.86	\$6,320.00	\$6,200.00	(\$44,519.86)
Capital Outlay	14,989.34	0.00	0.00	(14,989.34)
<i>Total Governmental Activities</i>	<u>\$72,029.20</u>	<u>\$6,320.00</u>	<u>\$6,200.00</u>	<u>(59,509.20)</u>
General Receipts				
Property Taxes				\$63,205.01
Grants and Entitlements not Restricted to Specific Programs				6,809.00
Earnings on Investments				1,142.46
Miscellaneous				411.94
<i>Total General Receipts</i>				<u>71,568.41</u>
Change in Net Assets				12,059.21
<i>Net Assets Beginning of Year</i>				<u>20,951.10</u>
<i>Net Assets End of Year</i>				<u>\$33,010.31</u>

See accompanying notes to the basic financial statements

PROSPECT TOWNSHIP PARK DISTRICT
MARION COUNTY

Statement of Cash Basis Assets and Fund Balance
Governmental Fund
December 31, 2006

	<u>General Fund</u>
Assets	
Cash and Cash Equivalents	\$33,010.31
<i>Total Assets</i>	<u><u>\$33,010.31</u></u>
Fund Balance	
Reserved:	
Reserved for Encumbrances	\$2,054.23
Unreserved:	
Undesignated, Reported in:	
General Fund	<u>\$30,956.08</u>
<i>Total Fund Balance</i>	<u><u>\$33,010.31</u></u>

See accompanying notes to the basic financial statements

**PROSPECT TOWNSHIP PARK DISTRICT
MARION COUNTY**

***Statement of Cash Receipts, Disbursements and Change in Cash Basis Fund Balance
Governmental Fund
For the Year Ended December 31, 2006***

	<u>General</u>
Receipts	
Property and Other Local Taxes	\$63,205.34
Intergovernmental	4,063.67
Earnings on Investments	1,142.46
Miscellaneous	<u>15,676.94</u>
Total Receipts	<u>84,088.41</u>
Disbursements	
Current:	
Conservation-Recreation	57,039.86
Capital Outlay	<u>14,989.34</u>
Total Disbursements	<u>72,029.20</u>
Excess of Receipts Over Disbursements	12,059.21
Fund Balance Beginning of Year	<u>20,951.10</u>
Fund Balance End of Year	<u><u>\$33,010.31</u></u>

See accompanying notes to the basic financial statements

**PROSPECT TOWNSHIP PARK DISTRICT
MARION COUNTY**

**Statement of Receipts, Disbursements and Change
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$52,480.00	\$53,370.00	\$63,205.34	\$9,835.34
Intergovernmental	6,800.00	6,000.00	4,063.67	(1,936.33)
Earnings on Investments	1,030.00	1,020.00	1,142.46	122.46
Miscellaneous	7,469.00	22,610.00	15,676.94	(6,933.06)
<i>Total receipts</i>	<u>67,779.00</u>	<u>83,000.00</u>	<u>84,088.41</u>	<u>1,088.41</u>
Disbursements				
Current:				
Conservation-Recreation	60,589.97	52,408.97	58,049.09	(5,640.12)
Capital Outlay	0.00	5,000.00	16,034.34	(11,034.34)
<i>Total Disbursements</i>	<u>60,589.97</u>	<u>57,408.97</u>	<u>74,083.43</u>	<u>(16,674.46)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	7,189.03	25,591.03	10,004.98	(15,586.05)
<i>Fund Balance Beginning of Year</i>	19,042.13	19,042.13	19,042.13	0.00
Prior Year Encumbrances Appropriated	<u>1,908.97</u>	<u>1,908.97</u>	<u>1,908.97</u>	<u>0.00</u>
<i>Fund Balance End of Year</i>	<u>\$28,140.13</u>	<u>\$46,542.13</u>	<u>\$30,956.08</u>	<u>(\$15,586.05)</u>

See accompanying notes to the basic financial statements

**PROSPECT TOWNSHIP PARK DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

Note 1 - Reporting Entity

The Prospect Township Park District, Marion County, Ohio, (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 Marion County. The District acquires lands for conversion into forest reserves and for the conservation of the 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 same as the Board deems conducive to the general welfare. The reporting entity is comprised of primary government.

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

The District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the District at year end. The statement of activities compares disbursements and program receipts for each program or function of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible.

Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program.

Receipts which are not classified as program receipts are presented as general receipts of the District, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program is self-financing on a cash basis or draws from the general receipts of the District.

**PROSPECT TOWNSHIP PARK DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in a separate fund in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. The District has only one major fund.

B. Fund Accounting

The District uses a fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District classifies its fund as governmental.

Governmental Fund

The governmental fund finances all governmental functions of the District. The following is the District's governmental fund:

General Fund - The General Fund accounts for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

C. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the District are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the operating budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the Commissioners of the District may appropriate. The appropriations resolution is the Commissioners' authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Commissioners. The legal level of control has been established by the Commissioners at the fund, program, and object level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the District. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Commissioners of the District.

**PROSPECT TOWNSHIP PARK DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

D. Budgetary Process (Continued)

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Commissioners of the District during the year.

E. Cash and Cash Equivalents

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

During 2007 and 2006, the District invested in STAR Ohio, an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio share price, which is the price the investment could be sold for on December 31, 2007, and December 31, 2006.

F. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

I. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes primarily include activities of economic development. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

The government-wide statement of net assets reports no restricted net assets.

J. Fund Balance Reserves

The District reserves any portion of fund balance which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. The Statement of Cash Basis Assets and

**PROSPECT TOWNSHIP PARK DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

J. Budgetary Process (Continued)

Fund Balance reports \$578 and \$2,054 of reserved for encumbrances as of December 31, 2007 and December 31, 2006 respectively.

Note 3 – Compliance

Contrary to Ohio Rev. Code Section 5705.41(B), budgetary expenditures exceeded appropriation authority in the General Fund at object level by \$31,075 for the year ended December 31, 2007, and by \$16,676 for the year ended December 31, 2006.

Note 4 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statements of Receipts, Disbursements and Change in Fund Balance - Budget and Actual - Budget Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at December 31, 2007 and December 31, 2006 (budgetary basis) amounted to \$578 and \$2,054 respectively.

Note 5 - Risk Management

The District is exposed to various risks of property and casualty losses, and injuries to employees.

The District insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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 members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim 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 \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

**PROSPECT TOWNSHIP PARK DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 5 - Risk Management (Continued)

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Net Assets	<u>\$20,219,246</u>	<u>\$19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The District's share of these unpaid claims collectible in future years is approximately \$4,670. This payable includes the subsequent year's contribution due if the District terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

**PROSPECT TOWNSHIP PARK DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 5 – Risk Management (continued)

<u>Contributions to PEP</u>	
2005	\$3,625
2006	\$3,988
2007	\$4,061

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 6 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The District participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

The members of all three plans were required to contribute 9.5 percent in 2007 and 9 percent in 2006 of their annual covered salary. The District's contribution rate for pension benefits for 2007 and 2006 were 13.85 and 13.70 percent respectively. The Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$4,366, \$3,312, and \$3,523 respectively. The full amount has been contributed for 2007, 2006, and 2005.

**PROSPECT TOWNSHIP PARK DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 7 - Postemployment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor

Ohio Public Employees Retirement System (Continued)

recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*.

A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85 percent of covered payroll; 5 percent of covered payroll was the portion that was used to fund health care from January 1 through June 30, 2007 and 6 percent of covered payroll was the portion that was used to fund health care from July 1 through December 31, 2007.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 0.50 and 5.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 374,979. Actual employer contributions for 2007 which were used to fund postemployment benefits were \$2,250. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Note 8 – Deposits and Investments

Monies held by the District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the District treasury. Active monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts,

**PROSPECT TOWNSHIP PARK DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 8 – Deposits and Investments (Continued)

or in money market deposit accounts. Inactive deposits are public deposits that District Board of Commissioners has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District's bank balance during 2007 and 2006 was not exposed to custodial credit risk because those deposits were insured entirely by the FDIC.

**PROSPECT TOWNSHIP PARK DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 8 – Deposits and Investments (Continued)

Investments

The District invests only in STAR Ohio, which had a carrying value of \$8,402 at December 31, 2007 and \$32,037.04 at December 31, 2006.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The District has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 9 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the District. Property tax receipts received in 2007 for real and public utility property taxes represents collections of the 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) is for 2007 taxes.

2007 real property taxes are levied after October 1, 2007 on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes which became a lien on December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

2007 tangible property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due September 20.

The full tax rate for all District operations for the year ended December 31, 2007 and December 31, 2006, was \$2.20 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2007 property tax receipts were based are as follows:

Real Property	\$31,731,340
Public Utility Property	3,542,660
Tangible Personal Property	774,430
Total Assessed Values	<u>\$36,048,430</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the District. The County Auditor periodically remits to the District its portion of the taxes collected.

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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*

Prospect Township Park District
Marion County
P.O. Box 426
Prospect, Ohio 43342

To the Board of Commissioners:

We have audited the financial statements of the governmental activities and major fund of the Prospect Township Park District, Marion County, Ohio (the District), as of and for the years ended December 31, 2007 and 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 18, 2008, wherein we noted the District uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial statements. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the District. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 opinions 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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.

We consider finding 2007-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

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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 deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above as finding number 2007-001 is also a material weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated December 18, 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 matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-002.

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 18, 2008.

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



Mary Taylor, CPA
Auditor of State

December 18, 2008

**PROSPECT TOWNSHIP PARK DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2007-001
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**Significant Deficiency/Material Weakness
Financial Reporting**

Sound financial reporting is the responsibility of the Clerk/Treasurer and the Commissioners and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments and reclassifications were made to the December 31, 2007 financial statements and the District accounting records:

- Reclassification of \$7,100 from General Receipts – Grants & Entitlements to Program Revenue – Operating Grants and Contributions – Conservation/Recreation to properly classify donations as program revenues in Governmental activities.
- Reclassification of \$7,170 from Program Revenue – Charges for Service - General Government to Program Revenue – Charges for Service - Conservation/Recreation in Governmental Activities to apply program revenues to the proper program.
- Reclassification of \$6,653 to Intergovernmental Receipts from Property and Other local Taxes to properly record intergovernmental receipts in the General Fund and Governmental Activities.
- Adjustments of \$76,629 to increase original estimated receipts in the General Fund in 2007 to agree to the amounts approved by the Board.
- Adjustments of \$75,895 to increase original appropriations in the General Fund in 2007 to agree to the amounts approved by the Board.
- Adjustments of \$11,101 to increase/decrease final estimated receipts in the General Fund in 2007 to agree to those approved by the Board.
- Adjustments of \$33,465 to decrease final appropriations in the General Fund in 2007 to agree to those approved by the Board.

The following audit adjustments and reclassifications were made to the December 31, 2006 financial statements and the District accounting records:

- Reclassification of \$4,064 to General Receipts – Grants and Entitlements from General Receipts – Property Taxes to properly record rollbacks as intergovernmental receipts instead of taxes in Governmental Activities.
- Reclassification of \$6,320 to Program Revenues – Charges for Services – Conservation/Recreation from Program Revenues – Charges for Services – General Government in Governmental Activities to apply program revenues to the proper program.
- Reclassification of \$6,200 from General Receipts – Special Items to Program Revenue – Operating Grants and Contributions to properly classify donations as program revenues in Governmental Activities.

**PROSPECT TOWNSHIP PARK DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

Finding Number	2007-001 (Continued)
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**Significant Deficiency/Material Weakness
Financial Reporting**

- Adjustments of \$15,841 to increase/decrease original estimated receipts in the General Fund in 2006 to agree to the amounts approved by the Board.
- Adjustments of \$13,060 to increase/decrease original appropriations in the General Fund in 2006 to agree to the amounts approved by the Board.
- Adjustment of \$25,110 to increase/decrease final estimated receipts in the General Fund in 2006 to agree to the amounts approved by the Board.
- Adjustments of \$30,409 to decrease final appropriations in the General Fund in 2006 to agree to the amounts approved by the Board.
- Reclassification of \$6,200 from Other Financing Sources to Miscellaneous Receipts to properly classify donations in the General Fund.

The adjustments and reclassifications identified above should be reviewed by the Clerk/Treasurer and Commission to ensure that similar errors are not reported on financial statements in subsequent years. In addition, the District should develop procedures for the periodic review of the activity posted to the accounting records, as well as, for the review of the financial statement information to ensure it accurately reflects the District's activity.

Finding Number	2007-002
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**Expenditures Exceeding Appropriations
Material Noncompliance**

Ohio Rev. Code Section 5705.41(B) and (C) state, in part, that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated against an appropriate fund. Furthermore, expenditures may not exceed appropriations at the legal level of control. Ohio Admin. Code Section 117-2-02(C) defines the legal level of control is defined as the level in which appropriations are approved by the Board of Commissioners.

The legal level of control for the District is at the object level. At December 31, 2006, budgetary expenditures exceeded appropriations at the object level as follows:

Fund	Object	Appropriations	Budgetary Expenditures	Variance
General	Capital Outlay	\$5,000	\$16,035	(\$11,035)
General	Conservation-Recreation	\$52,408	\$58,049	(\$5,641)

PROSPECT TOWNSHIP PARK DISTRICT
MARION COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)

Finding Number	2007-002 (Continued)
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**Expenditures Exceeding Appropriations
Material Noncompliance**

At December 31, 2007, budgetary expenditures exceeded appropriations at the object level as follows:

Fund	Object	Appropriations	Budgetary Expenditures	Variance
General	Capital Outlay	\$19,615	\$50,690	(\$31,075)

We recommend the District closely monitor budget vs. actual reports throughout the year to ensure expenditures do not exceed appropriations. In order to keep expenditures within appropriated amounts, the District may amend the annual appropriation measure by approving supplemental appropriations or by transferring appropriations from one line item to another.

Officials' Response

We did not receive a response from Officials to the findings reported above.

**PROSPECT TOWNSHIP PARK DISTRICT
MARION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Certification of Expenditures	Yes	
2005-002	Amended or Supplementing Appropriations	Yes	
2005-003	Expenditures Exceeding Appropriations	No	Repeated as Finding 2007-002



Mary Taylor, CPA
Auditor of State

PROSPECT TOWNSHIP PARK DISTRICT
MARION 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
MARCH 31, 2009