



**Auditor of State
Betty Montgomery**

**SPRING VALLEY PARK DISTRICT
GREENE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Spring Valley Park District
Greene County
7 West Main Street
P.O. Box 16
Spring Valley, Ohio 45370

To the Board of Commissioners:

We were engaged to audit the accompanying financial statements of the Spring Valley Park District (the District) as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the District's management.

Because of inadequacies in the District's accounting records, we were unable to obtain sufficient documentation supporting the activity of the General Fund other receipts and disbursements. Without this evidential matter, we were not able to audit the other receipts and disbursements records of the District or to satisfy ourselves regarding the validity of the other receipts or disbursements through auditing procedures. The other receipts represent \$8,223 and \$10,396 for 2002 and 2001 which are 68% and 51% of the total receipts per year, and the disbursements represent \$20,384 and \$12,423 for 2002 and 2001, respectively.

As discussed in Note 1, 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.

Since the District did not provide records to support other receipts and disbursements, we were not able to apply other auditing procedures to satisfy ourselves as to the completeness of other receipts and disbursements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on these financial statements.

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. As discussed in Note 6, Spring Valley Township has adopted action to stop further funding of the District, and Greene County has withheld funding since June 2003 as a result of not filing necessary documents and removed the District from the formula for 2004 local government tax distributions. These conditions raise substantial concern about the District's ability to continue as a going concern.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. 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 engagement.

This report is intended solely for the information and use of management, 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

August 14, 2003

**SPRING VALLEY TOWNSHIP
GREENE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
GOVERNMENTAL FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Type
	General
Cash Receipts:	
Intergovernmental Revenue	\$3,849
Other Receipts	8,223
	12,072
Cash Disbursements:	
Current:	
Utilities	2,095
Supplies	539
Materials	4,488
Equipment	7,085
Contracts - Services	1,400
Advertising and Publishing	84
Insurance	2,121
Other	2,572
	20,384
Total Cash Disbursements	20,384
Total Receipts (Under) Disbursements	(8,312)
Fund Cash Balance, January 1	15,606
Fund Cash Balance, December 31	\$7,294

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

**SPRING VALLEY PARK DISTRICT
GREENE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
GOVERNMENTAL FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Type
	General
Cash Receipts:	
Intergovernmental Revenue	\$9,918
Other Receipts	10,396
	20,314
 Cash Disbursements:	
Current:	
Utilities	2,819
Supplies	241
Materials	1,305
Equipment	3,877
Contracts - Services	540
Advertising and Publishing	1,192
Insurance	1,300
Other	1,149
	12,423
Total Cash Disbursements	12,423
Total Receipts Over Disbursements	7,891
Fund Cash Balances, January 1	7,715
	15,606
Fund Cash Balances, December 31	\$15,606

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

**SPRING VALLEY PARK DISTRICT
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Spring Valley Park District, Greene County, (the District) is a body corporate and politic established pursuant to Ohio Rev. Code Section 511.18 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 Common Pleas Court Judge of Greene County. The District acquires lands for development of parks, pathways, and other reservations to provide the residents of the District with quality recreational facilities, and may develop, improve and protect and promote the use of same as the Board deems conducive to the general welfare.

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

B. Basis of Accounting

These financial statements follow the basis of accounting 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).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash

All deposit accounts held by financial institutions are valued at cost.

The District did not have any investments at December 31, 2002 or 2001. All funds are maintained in a depository account.

D. Fund Accounting

The General Fund is the general operating fund. It is used to account for all financial resources.

E. Budgetary Process

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

1. Appropriations

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

**SPRING VALLEY PARK DISTRICT
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. 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 statements.

2. EQUITY IN POOLED CASH

The carrying amount of cash and investments at December 31 was as follows:

	2002	2001
Total deposits	\$7,294	\$15,606

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$13,539	\$12,072	(\$1,467)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$14,699	\$20,384	(\$5,685)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$14,135	\$20,314	\$6,179

**SPRING VALLEY PARK DISTRICT
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$0	\$12,423	(\$12,423)

4. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

5. NONCOMPLIANCE

The District did not comply with various requirements regarding adoption of an appropriation measure, expenditures exceeding appropriations, proper certification of the availability of funds prior to expenditure, availability of records, filing and notification of an annual report, and public meetings.

6. SUBSEQUENT EVENT

The Board of Trustees of Spring Valley Township has passed a resolution to terminate a grant agreement for funding to the District, and Greene County has withheld all local government settlements to the District since June of 2003 as a result of not filing required documentation. Additionally, the County has removed the District from the formula to receive 2004 Local Government Tax distributions.

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**Auditor of State
Betty Montgomery**

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

Spring Valley Park District
Greene County
7 West Main Street
P.O. Box 16
Spring Valley, Ohio 45370

To the Board of Commissioners:

We were engaged to audit the accompanying financial statements of the Spring Valley Park District (the District) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated August 14, 2003, wherein we noted the District did not provide adequate accounting records to support other receipts and disbursements, and we did not express an opinion on the financial statements. Additionally, we noted that funding for the District from various entities has been stopped which raises substantial doubt about its ability to continue as a going concern.

Compliance

As part of our procedures, we performed tests of its compliance with certain provisions of laws and regulations, 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 2002-001 through 2002-006.

Internal Control Over Financial Reporting

In planning and performing the engagement, we considered the District's internal control over financial reporting. However, providing an opinion on the internal control over financial reporting was not an objective of the engagement, and accordingly, we express no such opinion. 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 the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-007 through 2002-011.

**Internal Control Over Financial Reporting
(Continued)**

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 we were engaged to audit 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. Of the reportable conditions described above, we also consider 2002-007 through 2002-009 to be material weaknesses.

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.



Betty Montgomery
Auditor of State

August 14, 2003

**SPRING VALLEY PARK DISTRICT
GREENE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-001

Ohio Rev. Code Section 5705.38 requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

The District failed to pass an appropriation measure for fiscal year 2001, but had disbursements in excess of \$12,000. The Board of Park Commissioners should pass an annual appropriation measure and monitor expenditures. Failure to adopt and monitor appropriations could result in a negative cash balance.

FINDING NUMBER 2002-002

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision from expending money unless it has been appropriated.

As a result of the Board of Park Commissioner's failure to adopt appropriations, total expenditures exceeded total appropriations by \$5,685 during 2002 and \$12,423 during 2001. The Commissioners should develop and implement monitoring procedures to provide that expenditures are within appropriations to reduce the risk of incurring negative cash balances. Additionally, the Commissioners should review and implement procedures to routinely comply with all applicable sections of Ohio Revised Code Section 5705, and routinely monitor all associated activity.

FINDING NUMBER 2002-003

Ohio Rev. Code Section 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate of money signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to satisfy any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant from the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

FINDING NUMBER 2002-003
(Continued)

Amount of less than \$1,000 (which was increased to \$3,000 on April 7, 2003) may be paid by the fiscal officer without 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 District.

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current 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.
3. Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The District did not certify the availability of funds prior to purchase commitment for any of the expenditures tested for either year, and there was no evidence that the District followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments received prior approval. To improve controls over disbursements and to help reduce the possibility of the District’s funds exceeding budgetary spending limitations the Treasurer should certify that the funds are or will be available prior to any obligation by the District. When prior certification is not possible, “then and now” certification should be used.

The District should certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the District incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation

FINDING NUMBER 2002-004

Ohio Rev. Code Section 149.351 (A) states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under sections 149.38 to 149.42 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

The District did not provide all budgetary documentation, or vouchers and invoices to support expenditures. The Park District should adopt and implement a policy establishing procedures for preservation of records and the manner in which they are to be maintained.

FINDING NUMBER 2002-005

Ohio Rev. Code Section 117.38 requires that cash-basis entities file annual reports with the Auditor of State within 60 days of the fiscal year end. These reports must be filed on forms prescribed by the Auditor of State. However, if the Auditor of State has not prescribed a form for the report, the public office shall submit its report on the form utilized by the public office. Any public office which does not file the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains un-filed, not to exceed seven hundred and fifty dollars.

The report shall contain the amount of: 1) receipts, and amounts due from each source; 2) expenditures for each purpose; 3) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and 4) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid.

Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Park District failed to file its financial reports with the Auditor of State's office within the stipulated 60 day period, or to date. Additionally, the Park District did not publish notice as required that the financial reports were available for public inspection.

The Park District should develop and implement procedures to provide that the reports are filed in a timely manner and that the public be informed of the availability of records.

FINDING NUMBER 2002-006

Ohio Rev. Code Section 121.22 states that all meetings of any public body are declared to be public meetings open to the public at all times. A member of a public body must be present in person at a meeting open to the public to be considered present or to vote at the meeting and for the purpose of determining whether a quorum is present at the meeting. The minutes of a regular or special meeting of any public body shall be promptly prepared, filed and maintained and shall be open to public inspection. Every public body, by rule, shall establish a reasonable method whereby any person may determine the time and place of all regularly scheduled meetings and the time, place and purpose of all special meetings. A public body shall not hold a special meeting unless it gives at least twenty-four hours advance notice to the news media that have requested notification, except in the event of an emergency requiring immediate official action. In the event of an emergency, the member or members calling the meeting shall notify the news media that have requested notification immediately of the time, place, and purpose of the meeting.

The Park District did not notify the general public of Board meetings by posting notice or other method. Additionally, a record of the proceedings of such Board meetings were not recorded as required.

The Park District should notify the general public of Board meetings by posting notice as required. Further, the Board minutes should be prepared, retained and include all significant financial, budgetary, contractual or personnel action taken, the general subject matter of any discussion in executive session, and be available for public inspection.

REPORTABLE CONDITIONS/MATERIAL WEAKNESSES

FINDING NUMBER 2002-007

Receipt Records

The Park District failed to maintain adequate records of all sources of income, including duplicate receipts and a receipt ledger. Therefore, we were unable to determine the completeness and reasonableness of the account balances. Additionally, interest earnings were not posted.

Current, accurate and complete records are necessary to provide that revenue is adequate to cover costs, and to provide that all monies due the District are collected in a timely manner.

The District should establish and implement clear policies and procedures to record all receipts, including the issuance of duplicate receipts and maintenance of a receipt ledger, and adequately maintain receipt records. The Board of Park Commissioners should monitor these activities to determine that proper procedures are being followed.

FINDING NUMBER 2002-008

Monthly Reconciliations

Monthly reconciliations to the District's depository account were not performed during the period and resulted in additional audit work and resulting costs to the District. Bank account reconciliation is a basic control to provide for the accuracy and completeness of the District's recording of current receipts and expenditures. Failure to maintain complete accountability of public monies could increase the possibility of misuse of funds. Lack of timely and accurate reconciliations impedes management's ability to make proper financial decisions based on current reconciled balances.

To provide control over the reconciliation process, monthly bank to book reconciliations should be performed and supporting documentation should be retained, including all reconciling items and any discrepancies should be documented and resolved in a timely manner. The District should develop and implement internal control procedures that will allow the Commissioners to monitor the timely completion of reconciliations, and also include approval as to the accuracy of the reconciliations as a specific item of business in the Board's minutes. For better segregation of duties over the reconciliation process, personnel separate from the financial recording should periodically prepare the monthly reconciliation or detailed reviews should be performed and documented by independent personnel.

FINDING NUMBER 2002-009

Disbursement Records and Approval

The Park District did not have adequate internal control procedures to provide for review and approval of purchases prior to obligations being incurred. The following problems were noted when reviewing disbursements:

- All expenditures made during the period were made without purchase orders to certify the availability of funds.
- For 78% of expenditures made during the period, the expenditure was made without a voucher containing Board approval for the expenditure.

**FINDING NUMBER 2002-009
(Continued)**

Additionally, a detailed disbursement ledger was not maintained to support the disbursements made and to provide for proper classification of amounts.

This could result in expenditures being made for improper public purpose; possible diversion of funds; improper posting of expenditures to the Park District's financial statements; and deficit spending of Park District funds.

Procedures should be implemented to provide that:

- Purchase orders are completed, and approved by the Commissioners prior to any purchase being made.
- Expenditures are approved by the trustees after review of supporting invoices, and then posted to the proper fund/account.
- Checks are reviewed for proper signatures prior to mailing.

Finally, a detailed disbursement ledger should be maintained to include all disbursements made by the District, including proper classification of the amount by type and date, to provide information on use of financial assets and to aid in financial decision making.

FINDING NUMBER 2002-010

Audit Committee

The Park District should establish an audit committee to serve as a liaison between management and its auditors. The primary functions of such a committee are to monitor and review the Park District's accounting and financial reporting practices, and to follow up on citations and recommendations made by its auditors.

The Audit Committee should be actively involved in:

- Meeting with the Park District's independent auditors before and after each audit;
- Monitoring the progress of the financial and compliance audit;
- Evaluating the results of the financial and compliance audit; and
- Ensuring that the internal control and legal compliance issues identified in the audit are promptly and effectively remedied.

In addition, the audit committee should meet regularly (perhaps quarterly) to monitor the Park District's legal compliance, financial condition, and controls over the safeguarding of assets.

The audit committee can include members of the Board of Commissioners. However, it can also include representation that is independent from elected officials or management. The committee could include professionals knowledgeable in the Park District's financial operations, such as attorneys or bankers.

FINDING NUMBER 2002- 011

Deposits Of Public Money

Monthly checks were received from the County Auditor, in addition to other receipts, however, only nine bank deposits were made during the two years, which indicates that money was held and not deposited regularly. For example, checks from Greene County dated June 13, June 28, July 11, and August 13, 2002 were included as parts of a deposit on October 7, 2002. Lack of timely deposits of funds increases the chance of loss of monies, reduces interest earnings, increases the possibility of inappropriate use of funds, and hampers the monthly reconciliation process if the amounts were timely posted to the accounting records.

The District should adopt policies and implement procedures to require that all receipts are deposited intact in a timely manner to provide for increased security of funds and to maximize interest earnings.



**Auditor of State
Betty Montgomery**

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SPRING VALLEY PARK DISTRICT

GREENE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 30, 2003**