**WARREN PARK DISTRICT**
**JEFFERSON COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2006-2005**

Mary Taylor, CPA
Auditor of State

**WARREN PARK DISTRICT**
**JEFFERSON COUNTY**

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Mary Taylor, CPA
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Warren Park District
Jefferson County
107 Third Street
Yorkville, Ohio 43971

To the Board of Commissions:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

**Mary Taylor, CPA**
Auditor of State

April 21, 2009

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Mary Taylor, CPA
Auditor of State

**INDEPENDENT ACCOUNTANTS' REPORT**

Warren Park District
Jefferson County
107 Third Street
Yorkville, Ohio 43971

To the Board of Commissioners:

We were engaged to audit the accompanying financial statements of the Warren Park District, Jefferson County, (the District) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on this financial statement based on our audit.

Except as discussed in paragraph six, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, The District has prepared this financial statement using accounting practices the Auditor of state prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revision to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2006. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to reformat its statements. Since this District does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2005 and 2006, or its changes in financial position for the years then ended.

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We were unable to obtain sufficient evidence to support the completeness of the pool admissions, concession sales and recreation facility rent receipts comprising 21% of the General Fund operating receipts in 2006 and 19% for 2005, nor were we able to satisfy ourselves by other auditing procedures.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the operating receipts noted in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Warren Park District, Jefferson County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the District to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2006. The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2009, 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 arrangements 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.

Mary Taylor

**Mary Taylor, CPA**
Auditor of State

April 21, 2009

**WARREN PARK DISTRICT**
**JEFFERSON COUNTY**

**COMBINING STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES**
**ALL GOVERNMENTAL FUND TYPES**
**FOR THE YEAR ENDED DECEMBER 31, 2006**

| | All Fund Types | | |
|---|---|---|---|
| | **General** | **Special Revenue** | **Totals (Memorandum Only)** |
| **Cash Receipts:** | | | |
| Property and Other Local Taxes | $44,329 | $57,703 | $102,032 |
| Charges for Services | 20,754 | | 20,754 |
| Intergovernmental | 30,917 | 8,196 | 39,113 |
| Miscellaneous | 1,577 | | 1,577 |
| Total Cash Receipts | 97,577 | 65,899 | 163,476 |
| **Cash Disbursements:** | | | |
| Total Cash Disbursements | 94,325 | 35,092 | 129,417 |
| Total Receipts Over/(Under) Disbursements | 3,252 | 30,807 | 34,059 |
| Fund Cash Balances, January 1 | 9,791 | 53,751 | 63,542 |
| **Fund Cash Balances, December 31** | **$13,043** | **$84,558** | **$97,601** |

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

**WARREN PARK DISTRICT**
**JEFFERSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES**
**ALL GOVERNMENTAL FUND TYPES**
**FOR THE YEAR ENDED DECEMBER 31, 2005**

| | All Fund Types | | |
|---|---|---|---|
| | **General** | **Special Revenue** | **Totals (Memorandum Only)** |
| **Cash Receipts:** | | | |
| Property and Other Local Taxes | $43,308 | $56,076 | $99,384 |
| Charges for Services | 12,395 | | 12,395 |
| Intergovernmental | 6,696 | 9,849 | 16,545 |
| Miscellaneous | 1,372 | | 1,372 |
| Total Cash Receipts | 63,771 | 65,925 | 129,696 |
| **Cash Disbursements:** | | | |
| Total Cash Disbursements | 93,586 | 37,460 | 131,046 |
| Total Receipts Over/(Under) Disbursements | (29,815) | 28,465 | (1,350) |
| Fund Cash Balances, January 1 | 39,606 | 25,286 | 64,892 |
| **Fund Cash Balances, December 31** | **$9,791** | **$53,751** | **$63,542** |

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Warren Park District, Jefferson County, (the District) as a body corporate and politic. The probate judge of Jefferson County appoints a three-member Board of Commissioners to govern the District. The District operates a swimming pool and shelter house and provides recreation services to residents.

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

### B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. 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 the Auditor of State prescribes or permits.

### C. Deposits and Investments

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

### D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

#### 1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

#### 2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The District had the following significant Special Revenue Fund:

*Pool Levy Fund:* The pool levy fund receives the proceeds from a special levy voted upon by taxpayers for the maintenance of the pool.

### E. Budgetary Process

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

### 1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The District Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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. The County Budget Commission must also approve estimated resources.

### 3. Encumbrances

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

A summary of 2006 and 2005 budgetary activity appears in Note 3.

### F. Property, Plant, and Equipment

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

## 2. EQUITY IN POOLED CASH

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

| | 2006 | 2005 |
|---|---|---|
| Demand deposits | $97,601 | $63,542 |
| Total deposits | $97,601 | $63,542 |

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

## 3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|---|---|---|---|
| General | $0 | $97,577 | $97,577 |
| Special Revenue | 0 | 65,899 | 65,899 |
| Total | $0 | $163,476 | $163,476 |

## 3. BUDGETARY ACTIVITY - (Continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|---|---|---|---|
| General | $0 | $94,325 | ($94,325) |
| Special Revenue | 0 | 35,092 | (35,092) |
| Total | $0 | $129,417 | ($129,417) |

2005 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|---|---|---|---|
| General | $0 | $63,771 | $63,771 |
| Special Revenue | 0 | 65,925 | 65,925 |
| Total | $0 | $129,696 | $129,696 |

2005 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|---|---|---|---|
| General | $0 | $93,586 | ($93,586) |
| Special Revenue | | 37,460 | (37,460) |
| Total | $0 | $131,046 | ($131,046) |

Contrary to 5705.28, the District failed to adopt a budget. As a result, budgetary expenditures exceeded appropriation authority in the General and Pool Levy Fund for the years ended December 31, 2006 by $94,325 and $ 35,092, respectively and in the General and Pool Levy Fund for the year ended December 31, 2005 by $93,586 and $37,460, respectively. Also contrary to Ohio law, the district failed to certify available funds.

## 4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the District.

## 5. RETIREMENT SYSTEMS

The District’s employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

**5. RETIREMENT SYSTEMS – (Continued)**

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9.0 and 8.5%, respectively, of their gross salaries and the District contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries.

The amounts that the District contributed for pension obligations for the years ended December 31, 2006 and 2005 could not be determined.

**6. 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.

<u>Casualty Coverage</u>
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, including loss adjustment expenses. 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 Reinsurances Corporation, through contract 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 (for claims prior to January 1, 2006) or $3,000,000 (for claims on or after January 1, 2006) as noted above.

<u>Property Coverage</u>
Through 2004, PEP retained property risks, including automobile physical damage, up to $100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding $100,000 up to $500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding $250,000 up to $600 million per occurrence. 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 on upon the combined member's total insurable values, If the stop loss is reached by payment of losses between $100,000 and $250,00, Travelers will reinsure specific losses exceeding $100,000 up to their $600 million per occurrence limit. The aggregate stop-loss limit for 2006 was $1,901,127.

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 obligations of the respective government.

## 6. RISK MANAGEMENT – (Continued)

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, 2006 and 2005

| Casualty Coverage | 2006 | 2005 |
|---|---|---|
| Assets | $30,997,868 | $29,719,675 |
| Liabilities | (15,875,741) | (15,994,168) |
| Retained earnings | $15,122,127 | $13,725,507 |

| Property Coverage | 2006 | 2005 |
|---|---|---|
| Assets | $5,125,326 | $4,443,332 |
| Liabilities | (863,163) | (1,068,245) |
| Retained earnings | $4,262,163 | $3,375,087 |

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately $14.4 million and $14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately $14.4 million and $14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Government's share of these unpaid claims collectible in future years is approximately $8,884 This payable includes the subsequent year's contribution due if the Government 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.

| Contributions to PEP | |
|---|---|
| 2004 | $ 3,604 |
| 2005 | $ 4,215 |
| 2006 | $ 4,442 |

## 6. RISK MANAGEMENT – (Continued)

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they give 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.

## 7. COMPLIANCE

In accordance with Ohio Revised Code Section 117.28, a finding for recovery is being issued for the illegal expenditure of public money.

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

Warren Park District
Jefferson County
107 Third Street
Yorkville, Ohio 43971

To the Board of Commissioners:

We were engaged to audit the financial statements of the Warren Park District, Jefferson County, (the District) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated April 21, 2009, wherein we noted the District prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also qualified our opinion because we were unable to obtain sufficient evidence to support the completeness of the pool admissions, concession sales or recreation facility rent receipts in the General Fund for the years ended December 31, 2006 and 2005. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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 certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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 the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-005 and 2006-006.

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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We believe findings numbers 2006-005 and 2006-006 are also material weaknesses.

We also noted certain matters that we reported to the District's management in a separate letter dated April 21, 2009.

**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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001through 2004-004.

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated April 21, 2009.

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

Mary Taylor

**Mary Taylor, CPA**
Auditor of State

April 21, 2009

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

**FINDING NUMBER 2006-001**

**Finding for Recovery**

The salary for the Fiscal Officer had been established at $225 per month. Kevin Spong, District Fiscal Officer began paying himself in advance, which resulted in an overpayment in both 2005 and 2006.

For February 2005, Mr. Spong was paid $225 on January 28, 2005 (Check # 11477) and was again paid $225 on February 28, 2005 (Check #11503), which resulted in the gross pay for the fiscal officer to be $2,925 for 2005. For December 2006, Mr. Spong was paid $225 on March 29, 2006 (Check #12389) and was again paid $225 on December 29, 2006 (Check #11608), which resulted in the gross pay for the fiscal officer to be $2,925 for 2006.

Per the established salary, the total amount due the fiscal officer in each year (2005 and 2006) was $2,700 and he was paid $2,925, an overpayment of $225 in each year. The total overpayment for the period January 1, 2005 through December 31, 2006 was $450.00.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Kevin Spong, Fiscal Officer and his bonding company, Western Surety Company, jointly and severally, in the amount of $450, and in favor of the General Fund of Warren Park District.

**FINDING NUMBER 2006-002**

**Noncompliance Citation**

**Ohio Revised Code Section 5705.28** requires each subdivision to adopt a tax budget for the next succeeding year on or before July 15 each year**.** The budget shall include an estimate of receipts from all sources, a statement of all expenses that are anticipated to occur and the amount required for debt charges during the fiscal year. This section also requires the entity to follow **Ohio Revised Code Section 5705.36**, which states that the Fiscal Officer shall prepare a certificate showing the total amount from all sources, which is available for expenditures along with any balances that existed at the end of the preceding year. However this certificate prepared in accordance Ohio Revised Code 5705.36 does not need to be filed with the County Auditor.

The District did not adopt an operating budget for 2005 or 2006 and they did not prepare a certificate showing the total amount available from all sources available for expenditure for 2005 or 2006. Failure by the District to adopt a budget increases the risk of overspending and deficit balances. The District should adopt an operating budget and prepare the certificate of available resources. The budget should be used during the fiscal year to control spending and to avoid deficit spending.

**FINDING NUMBER 2006-003**

**Noncompliance Citation**

**Ohio Revised Code Section 5705.38** requires, in part, that on or about the first day of the fiscal year, an appropriation measure be passed. **Ohio Revised Code Section 5705.41(B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated.

**FINDING NUMBER 2006-003**
**(Continued)**

The District did not adopt an appropriation measure for either 2005 or 2006 and expenditures are limited by the appropriations established for each fund; therefore, all expenditures made by the District in 2005 ($131,046) and in 2006 ($129,417) were not in compliance with the Ohio Revised Code.

Failure to pass an appropriation measure, which serves as a tool by which expenditures can be monitored, could result in overspending. The District should pass an appropriation measure as required so that expenditures can be monitored and compliance with the Ohio Revised Code provisions can be attained. Expenditures should be limited to Board of Commissioners approved appropriations for each fund.

**FINDING NUMBER 2006-004**

**Noncompliance Citation**

**Ohio Revised Code Section 5705.41(D)** provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to 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 no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Commissioners may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

   If the amount involved is less than $3,000, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board of Commissioners if such expenditure is otherwise valid.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of 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.

3. **Super Blanket Certificate** – The District may also make expenditures and contracts for any amount from a specific line item appropriation 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 may be outstanding a particular time for any line item appropriation.

**FINDING NUMBER 2006-004**
**(Continued)**

The District did not certify the amount against the applicable appropriation accounts for 100% of tested expenditures in 2005 and 2006. The District did not utilize the certification exceptions described above.

Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. Unless the exceptions noted above are used properly, prior certification is not only required by statute but it is also a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the park district's funds exceeding budgetary spending limitations, the Fiscal Officer should certify that the funds are or will be available prior to obligation by the park district. When prior certification is not possible, "then and now" certification should be used.

The District should certify purchases to which section Ohio Revised Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language, which Ohio Revised Code Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the park district incurs a commitment and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code to reduce the available appropriation.

**FINDING NUMBER 2006-005**

**Significant Deficiency/Material Weakness**

**Posting Errors**

The District did not correctly code and classify all receipts and disbursements in 2005 and 2006, resulting in adjustments to the financial statements and the lack of sufficient information to present classified disbursements on the financial statements. The District Fiscal Officer has agreed to and posted the adjustments to the District's accounting records. The corrected amounts are reflected in the accompanying financial statements**.**

| Year/Fund Name | Account Type | Amount | Description |
|---|---|---|---|
| **2005/**<br>General<br>Pool Levy | Contract Services<br>Contract Services | $845 | Pool expense posted to Pool Levy Fund rather than General Fund |
| **2005/**<br>General<br>Pool Levy | Salaries<br>Salaries | $106 | Payroll posted to Pool Levy Fund rather than General Fund |
| **2005/**<br>General<br>Pool Levy | Intergovernmental<br>Intergovernmental | $5,831 | Local taxes incorrectly posted to General Fund rather than the Pool Levy Fund |
| **2006/**<br>General<br>Pool Levy | Intergovernmental<br>Intergovernmental | $4,645 | Local taxes incorrectly posted to General Fund rather than the Pool Levy Fund |

Failure to consistently follow a uniform chart of accounts increases the possibility the District will not be able to identify, assemble, analyze, classify, record and report its transactions correctly or to document compliance with finance-related legal and contractual requirements. The District Fiscal Officer should maintain the accounting system to enable the District to identify, assemble, analyze, classify, record and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to a chart of accounts to help ensure that financial activity of the District is accurately recorded and reported. In addition, the District should adopt procedures for the review of posting of transactions and subsequent posting to the financial statements.

## FINDING NUMBER 2006-006

**Significant Deficiency/Material Weakness**

The District Fiscal Officer had not maintained documentation to support revenues generated by pool receipts, concession sales and recreation facility rents. The Board did not employ the use of pre-numbered tickets, tally sheets or any other method to account for admissions or concessions sales. Duplicate receipts were not issued for any payments made to the Board for rental fees.

The inability to obtain sufficient evidence to support the completeness of the pool admissions, concession sales or recreation facility rent receipts consisting of 21% of the General Fund operating receipts for 2006 and 19% of 2005, and the inability to satisfy ourselves by other auditing procedures resulted in a qualified opinion on the financial statements.

To adequately support the receipts recorded and reported for pool admissions, concession sales and recreation facility rents, the Board should establish procedures to substantiate the amounts collected. The procedures should include, but not be limited to:

a. The use of pre-numbered tickets, tally sheets or another method that would provide an accurate count of the number of paid admissions;
b. Specific procedures by which the ticket seller(s) would reconcile the number of tickets sold to the cash received
c. The use of tally sheets or daily inventory reconciliations to support the concession sales;
d. Rental contracts should be executed when a park facility is rented, the contract should indicate the date and hours of use and the applicable fee. The contract could be used as the supporting documentation for the revenue received.
e. Daily deposit of the pool admissions, concession sales and recreation facility rent receipts to the bank by the Fiscal Officer.

The District should have an internal control system to reasonably assure that recorded transactions have occurred and are not fictitious, and that all account balances and transactions are included in the financial records. This includes maintaining sufficient documentation for all transactions.

**WARREN PARK DISTRICT**
**JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS**
**DECEMBER 31, 2006 AND 2005**

| **Finding Number** | **Finding Summary** | **Fully Corrected?** | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain*** |
|---|---|---|---|
| 2004-001 | Ohio Revised Code Section 5705.36 | No | Re-issued as Finding 2006-002 |
| 2004-002 | Ohio Revised Code Section 5705.38 | No | Re-issued as Finding 2006-003 |
| 2004-003 | Ohio Revised Code Section 5705.41(D) | No | Re-issued as Finding 2006-004 |
| 2004-004 | Failure to maintain support for pool and concession receipts | No | Re-issued as Finding 2006-006 |
| 2004-005 | Failure to properly post receipts and disbursements | No | Re-issued as Finding 2006-005 |

# Mary Taylor, CPA
Auditor of State

**WARREN PARK DISTRICT**

**JEFFERSON 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**
**JUNE 11, 2009**

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