



OHIO AUDITOR OF STATE  
**KEITH FABER**





**MCDONALD-ROUNDHEAD JOINT RECREATIONAL DISTRICT  
HARDIN COUNTY  
DECEMBER 31, 2017 AND 2016**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

McDonald-Roundhead Joint Recreational District  
Hardin County  
17235 St. Rt. 117  
Waynesfield, Ohio 45896

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund, and related notes of the McDonald-Roundhead Joint Recreational District, Hardin County, (the District) as of and for the years ended December 31, 2017 and 2016.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the District does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund, and related notes of the McDonald-Roundhead Joint Recreational District, Hardin County as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2019 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

October 2, 2019

**McDonald-Roundhead Joint Recreational District**  
*Hardin County*  
*Statement of Receipts, Disbursements*  
*and Change in Fund Balance (Regulatory Cash Basis)*  
*General Fund*  
*For the Year Ended December 31, 2017*

**Cash Receipts:**

Intergovernmental	\$12,500
Donations	<u>4,000</u>
<i>Total Cash Receipts</i>	<u><u>16,500</u></u>

**Cash Disbursements**

Current:	
Utilities	876
Administrations	3,280
Maintenance	5,893
Improvements	4,741
Other	<u>2,000</u>
<i>Total Cash Disbursements</i>	<u><u>16,790</u></u>

<i>Excess of Receipts (Under) Disbursements</i>	<u>(290)</u>
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<i>Fund Cash Balance, January 1</i>	<u>12,623</u>
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**Fund Cash Balance, December 31:**

Unassigned	<u>12,333</u>
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<i>Fund Cash Balance, December 31</i>	<u><u>\$12,333</u></u>
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*The notes to the financial statements are an integral part of this statement.*

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**MCDONALD-ROUNDHEAD JOINT RECREATIONAL DISTRICT**

*Hardin County  
Notes to the Financial Statements  
For the Year Ended December 31, 2017*

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**Note 1 – Reporting Entity**

The constitution and laws of the state of Ohio establish the rights and privileges of the McDonald-Roundhead Joint Recreational Park District, (the District) Hardin County, as a body corporate and politic. The Board of Trustees consists of five members which are appointed by McDonald and Roundhead townships. The Board consists of two members from one Township and three members from the other Township, with each year the majority representation being rotated between the two Townships. The Board is authorized to maintain and supervise all parks, playgrounds, playfields and other recreational areas within the District and which are acquired or donated to the District.

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The District's financial statement consists of a statement of receipts, disbursements and change in fund balance (regulatory cash basis) which is organized on a fund type basis.

***Fund Accounting***

The District uses funds 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 one fund of the District is presented below:

***General Fund***

The General Fund accounts for and reports all financial resources not accounted for and reported 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.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function level of control and appropriations may not exceed estimated resources. The District Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

## MCDONALD-ROUNDHEAD JOINT RECREATIONAL DISTRICT

*Hardin County  
Notes to the Financial Statements  
For the Year Ended December 31, 2017*

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

**Encumbrances** The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The District did not use the encumbrance method of accounting.

A summary of 2017 budgetary activity appears in Note 3.

### **Deposit and Investments**

The District does not have any investments. All monies are maintained in a checking account.

### **Capital Assets**

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

### **Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**Nonspendable** The District classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**Restricted** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**Committed** Commissioners can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Commissioners amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**Assigned** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by District Commissioners or a District official delegated that authority by resolution, or by State Statute.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**MCDONALD-ROUNDHEAD JOINT RECREATIONAL DISTRICT**

*Hardin County  
Notes to the Financial Statements  
For the Year Ended December 31, 2017*

**Note 3 – Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$7,390 for the year ended December 31, 2017.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$16,500	\$16,500
Total	\$0	\$16,500	\$16,500

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$9,400	\$16,790	(\$7,390)
Total	\$9,400	\$16,790	(\$7,390)

**Note 5 – Deposits**

The District maintains a checking account. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2017
Demand deposits	\$12,333
Total deposits	\$12,333

Deposits are insured by the Federal Deposit Insurance Corporation.

**Note 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. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**MCDONALD-ROUNDHEAD JOINT RECREATIONAL DISTRICT**

*Hardin County  
Notes to the Financial Statements  
For the Year Ended December 31, 2017*

**Note 6 – Risk Management (Continued)**

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP’s financial statements (audited by other auditor’s) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool’s membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the District’s share of these unpaid claims collectible in future years is approximately \$2,000.

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.

<b>2017 Contributions to PEP</b>
<b>\$ 2,863</b>

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s contribution. Withdrawing members have no other future obligation to PEP. 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 7 - Subsequent Events**

On August 20, 2019, the Hardin County Common Pleas Court awarded the District \$8,068.00 dollars in restitution against the former fiscal officer which included \$2,000 for a theft from the District and \$6,068 in audit costs.

On August 14, 2018, the Board approved the purchase of playground equipment in the amount of \$14,855, which is significant to the fund balance of the District. Additional funding of \$2,500 from Roundhead Township and \$2,500 from McDonald Township is being provided to the District to help cover the cost of the new equipment.

**McDonald-Roundhead Joint Recreational District**  
*Hardin County*  
*Statement of Receipts, Disbursements*  
*and Change in Fund Balance (Regulatory Cash Basis)*  
*For the Year Ended December 31, 2016*

**Cash Receipts:**

Intergovernmental	\$12,500
Grant	1,500
Donations	140
<i>Total Cash Receipts</i>	14,140

**Cash Disbursements**

Current:	
Utilities	903
Administrations	3,807
Maintenance	3,795
Improvements	1,782
<i>Total Cash Disbursements</i>	10,287

*Excess of Receipts Over Disbursements* 3,853

*Fund Cash Balance, January 1* 8,770

**Fund Cash Balance, December 31:**

    Unassigned 12,623

*Fund Cash Balance, December 31* \$12,623

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

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**McDonald-Roundhead Joint Recreational District**  
*Hardin County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 – Reporting Entity**

The constitution and laws of the state of Ohio establish the rights and privileges of the McDonald-Roundhead Joint Recreational Park District, (the District) Hardin County, as a body corporate and politic. The Board of Trustees consists of five members which are appointed by McDonald and Roundhead Townships. The Board consists of two members from one Township and three members from the other Township, with each year the majority representation being rotated between the two Townships. The Board is authorized to maintain and supervise all parks, playgrounds, playfields and other recreational areas within the District and which are acquired or donated to the District.

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The District's financial statements consist of a statement of receipts, disbursements and change in fund balance (regulatory cash basis) which is organized on a fund type basis.

***Fund Accounting***

The District uses funds 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 one fund of the District is presented below:

***General Fund***

The General Fund accounts for and reports all financial resources not accounted for and reported 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.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function level of control and appropriations may not exceed estimated resources. The District Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**McDonald-Roundhead Joint Recreational District**

*Hardin County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

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

**Encumbrances** The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The District did not use the encumbrance method of accounting.

A summary of 2016 budgetary activity appears in Note 3.

**Deposit and Investments**

The District does not have any investments. All monies are maintained in a checking account.

**Capital Assets**

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

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**Nonspendable** The District classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**Restricted** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**Committed** Commissioners can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Commissioners amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**Assigned** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by District Commissioners or a District official delegated that authority by resolution, or by State Statute.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.



**McDonald-Roundhead Joint Recreational District**  
*Hardin County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$14,140	\$14,140
Total	\$0	\$14,140	\$14,140

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$17,970	\$10,287	\$7,683
Total	\$17,970	\$10,287	\$7,683

**Note 4 – Deposits**

The District maintains a checking account. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

Demand deposits	2016 \$12,623
Total deposits	\$12,623

Deposits are insured by the Federal Deposit Insurance Corporation.

**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. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. 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 and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

**McDonald-Roundhead Joint Recreational District**  
*Hardin County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 5 – Risk Management (Continued)**

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

Financial Position

PEP’s financial statements (audited by other auditor’s) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool’s membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the District’s share of these unpaid claims collectible in future years is approximately \$2,000.

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.

<b><u>2016 Contributions to PEP</u></b>
<b>\$ 2,856</b>

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s contribution. Withdrawing members have no other future obligation to PEP. 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 - Subsequent Events**

On August 20, 2019, the Hardin County Common Pleas Court awarded the District \$8,068.00 dollars in restitution against the former fiscal officer which included \$2,000 for a theft from the District and \$6,068 in audit costs.

On August 14, 2018, the Board approved the purchase of playground equipment in the amount of \$14,855, which is significant to the fund balance of the District. Additional funding of \$2,500 from Roundhead Township and \$2,500 from McDonald Township is being provided to the District to help cover the cost of the new equipment.

# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

McDonald-Roundhead Joint Recreational District  
Hardin County  
17235 St. Rt. 117  
Waynesfield, Ohio 45896

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements of the McDonald-Roundhead Joint Recreational District, Hardin County, (the District) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated October 2, 2019 wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

***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, opining 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 2017-002 through 2017-004.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

October 2, 2019

**MCDONALD-ROUNDHEAD JOINT RECREATIONAL DISTRICT  
HARDIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2017-001**

**Material Weakness – Accuracy of Financial Reporting**

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, (GASB Codification 1800.165), effective for periods beginning after June 15, 2010, established criteria for classifying fund balances into specifically defined classifications based on the constraints placed upon the resources. GASB 54 was not implemented by the District for the years ending December 31, 2017 and 2016.

As a result of not implementing GASB 54, the December 31, 2017 and 2016 General Fund ending balances, in the amount of \$12,333 and \$12,623, respectively, had to be reclassified from fund cash balance to unassigned fund balance.

The following financial statement and/or accounting record errors were identified in addition to the items described above:

- In 2017, to agree the financial statements to the manual accounting ledgers, adjustments were made to the following disbursement line items: increased utilities by \$550; increased administrations by \$100; decreased maintenance by (\$5,084); increased improvements by \$4,541; increased other by \$2,000. An adjustment was also made to increase maintenance disbursements by \$47 due to check number 1536 not being posted to the manual accounting ledgers. The adjustments made resulted in a \$2,154 decrease to the District's cash fund balance at December 31, 2017.
- In 2016, to agree the financial statements to the manual accounting ledgers, adjustments were made to receipt and disbursement line items on the financial statements as follows: decreased miscellaneous receipts by (\$30); increased utilities by \$447; decreased administrations disbursements by (\$9); decreased maintenance disbursements by (\$616); increased improvements by \$62. The adjustments made resulted in a \$86 increase in the District's cash fund balance at December 31, 2016.

Errors were also identified in the notes to the financial statements such as but not limited to correcting the amounts reported as estimated receipts, to include a fund balance note, and to add additional disclosures to the risk management note.

The accompanying financial statements and notes to the financial statements, and where necessary the accounting records, have been adjusted to correct these errors.

Financial reporting errors inhibit the users' understanding of the financial activity and balances throughout the year and at year-end.

**FINDING NUMBER 2017-001  
(Continued)**

Factors that may have contributed to the errors reported above include:

- The District did not maintain a receipts ledger for 2017 and 2016;
- There was no evidence of monthly bank to book reconciliations being prepared during 2016; and
- The Board was not presented with detailed receipt and disbursement reports for review.

The Board should require the Fiscal Officer to maintain a detailed receipts ledger which shows receipts by source classification which should correspond to the classification used to approve estimated receipts. Also the Board should establish and implement procedures to ensure that bank to book reconciliations are prepared timely and reviewed for completeness and accuracy. Supporting documentation should be maintained for all adjusting and reconciling items presented on the reconciliations. Un-supported adjusting and reconciling items should be investigated and resolved at the time reconciliation is completed. Old outstanding checks should be investigated to determine if they should be voided or voided and re-issued.

The bank to book reconciliations along with supporting documentation, and the receipts and disbursement ledgers should be presented to the Board each month for review and approval. Evidence of the Board's review and approval should be noted on the bank to book reconciliations and the receipt and disbursement ledgers and/or in the Minutes.

In addition, resources such as those found on the Auditor of State web site at: <http://www.ohioauditor.gov/> and other sources should be utilized when preparing and reviewing the annual financial statements and notes to the financial statements.

**FINDING NUMBER 2017-002**

**Noncompliance Citation / Finding for Recovery**

**Ohio Rev. Code § 117.28** requires the Auditor of State to issue a finding for recovery when “an audit report sets forth that any public money collected has been illegally expended, or that any public money collected has not been accounted for, or that any public money due has not been collected, or that any public property has been converted or misappropriated...”

The McDonald-Roundhead Joint Recreational District (the District) Fiscal Officer, Jennifer Henkle made a cash withdrawal of \$2,000 on June 16, 2017 from The Union Banking Company checking account held by the District. The cash withdrawal was not recorded on the District's cash disbursements ledger and was not supported by documentation. The subsequent bank statements of the District show no evidence that the \$2,000 cash withdrawal was deposited at a later date. In an attempt to try and cover the misappropriated funds from the District's Board, the June, July, and August 2017 bank statements were altered before they were presented to the Board of Trustees for review and approval.

On February 25, 2019, Ms. Henkle was indicted on two counts of Theft in Office F-4, three counts of Tampering with Records F-3, two counts of Money Laundering F-3, and two counts of Attempted Theft in Office M-1.

On June 27, 2019, Ms. Henkle plead guilty to one count of Grand Theft F-4, one count of Tampering with Records F-3, and one count of Attempted Theft in Office M-1.

**FINDING NUMBER 2017-002  
(Continued)**

On August 20, 2019, Ms. Henkle appeared before Hardin County Common Pleas Judge Barrett and was sentenced to twenty (20) day in jail, five (5) years Community Control, \$8,068.00 dollars in restitution. The restitution is based on the \$2,000 theft and \$6,068 dollars for audit costs.

In accordance with the foregoing facts and pursuant to the **Ohio Revised Code Section 117.28**, a finding for recovery for public property converted or misappropriated is hereby issued in the amount of \$2,000 against Jennifer Henkle in favor of the McDonald-Roundhead Joint Recreational District's General Fund. Additionally, Ms. Henkle's bonding company, CNA Surety, is jointly and severally liable in the amount of \$2,000, and in favor of the McDonald-Roundhead Joint Recreational District's General Fund.

**FINDING NUMBER 2017-003**

**Noncompliance Citation**

**Ohio Rev. Code § 5705.28(B)(2)(a)** permits a budget process for entities who do not levy taxes. **Ohio Rev. Code § 5705.28(B)(2)(c)** prohibits appropriations from exceeding estimated revenue (i.e. receipts + beginning unencumbered cash).

The Board of Trustees approved annual appropriations for 2017 and 2016 but did not approve estimated receipts. Failure to formally approve estimated receipts resulted in appropriations exceeding estimated revenue (i.e. receipts + beginning unencumbered cash) in 2017 by \$5,347.

Appropriations in excess of estimated revenue may result in deficit spending.

The failure to maintain a receipts ledger for 2017 and 2016 and the Board's failure to approve estimated receipts as part of the annual budget may have contributed to appropriations in excess of estimated revenue.

A procedure(s) and/or control(s), such as a reminder system, should be implemented so that the Board approves estimated revenue (i.e. receipts + beginning unencumbered cash) along with the annual appropriations. Also, the Board should require the Fiscal Officer to maintain a detailed receipts ledger which includes the estimated and actual receipts by financial statement classification. The receipts ledger should be presented to the Board each month for review and approval. Evidence of the Board's review and approval should be noted on the receipts ledger and/or in the Minutes.

**FINDING NUMBER 2017-004**

**Noncompliance Citation**

**Ohio Rev. Code § 5705.41(B)** requires that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated. In 2017, General Fund appropriations were \$9,400 and disbursements were \$16,790, which resulted in \$7,390 of disbursements in excess of appropriations.

The Board's failure to monitor budget versus actual disbursements, the lack of appropriations and encumbrance information in the disbursements ledger, and the lack of unencumbered fund balance information may have contributed to the inability to detect disbursements in excess of appropriations. Expenditures and encumbrances in excess of appropriations could result in deficit spending.

**FINDING NUMBER 2017-004  
(Continued)**

The Board should require the Fiscal Officer to record appropriations and encumbrances in the disbursements ledger. Each month the Board should review the disbursements ledger and the unencumbered fund balance which will help to verify that disbursements and encumbrances do not exceed appropriations and to help detect negative trends. If a negative trend is identified, corrective action such as modifying appropriations should be done to help ensure compliance with the Ohio Revised Code and to prevent deficit spending. Evidence of the Board's review and approval should be noted on the disbursements ledger, unencumbered fund balance reports, and/or in the Minutes.

**OFFICIALS' RESPONSE:** We did not receive a response from Officials to the findings reported above.



# OHIO AUDITOR OF STATE KEITH FABER



**MCDONALD ROUNDHEAD JOINT RECREATIONAL DISTRICT**

**HARDIN 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  
NOVEMBER 7, 2019**