



**Auditor of State
Betty Montgomery**

MEAD TOWNSHIP PARK DISTRICT
BELMONT COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Park Commissioners:

We were engaged to audit the financial statements of the Mead Township Park District, Belmont County, Ohio (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.

Ohio Rev. Code Section 117.38 requires that each public office shall file a financial report for each fiscal year. The report shall be certified by the proper officer or board and filed with the auditor of state within 60 days after the close of the fiscal year. Since the District did not present or prepare financial statements for the years ended December 31, 2002 and 2001, we did not audit any activity during those years, and accordingly, express no opinion or other assurances for the financial activity during the years ended December 31, 2002 and 2001.

Because of the effects of the matter discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the 2002 and 2001 financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an engagement 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, the Board of Park Commissioners, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

November 29, 2004

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Auditor of State Betty Montgomery

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

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

To the Board of Park Commissioners:

We were engaged to audit the accompanying financial statements of Mead Township Park District, Belmont County, Ohio (the District), as of and for the years ended December 31, 2002 and 2001, wherein we expressed no opinion on the 2002 and 2001 financial statements since the District did not present or prepare financial statements for the years ended December 31, 2002 and 2001, and have issued our report thereon dated November 29, 2004.

Compliance

As part of our engagement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our engagement and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2002-001 through 2002-005. We also noted certain immaterial instances of noncompliance that we have reported to the District's management in a separate letter dated November 29, 2004.

Internal Control Over Financial Reporting

Our engagement was not designed to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2002-005 through 2002-007.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider items 2002-005 and 2002-006 listed above to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the District's management in a separate letter dated November 29, 2004.

This report is intended solely for the information and use of management and the Board of Park Commissioners, and is not intended to be, and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

November 29, 2004

**MEAD TOWNSHIP PARK DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 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

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) provides that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by Ohio Rev. Code Section 5705.41(D) (1):

1. Then and Now Certificate - If the fiscal officer can certify that both at the time the contract or order was made and at the time that he/she is completing his/her certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$1,000 (\$3,000 after April 7, 2003) may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

2. Blanket Certificate - Fiscal officers may prepare so-called "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding 3 months or running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Effective September 26, 2003, the \$5,000 limit on the issuance of blanket certificates and the requirement that blanket certificates not extend beyond three months have been removed from the law. Effective September 26, 2003, blanket certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

3. Super Blanket Certificate - In addition to these blanket certificates, a subdivision may also make expenditures and contracts from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. These are called super blankets. This certification is not to extend beyond the fiscal year. More than one blanket certificate may be outstanding at one particular time for a particular line-item appropriation account.

For 2002 and 2001, the certification of available funds was not obtained for any transactions.

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

**MEAD TOWNSHIP PARK DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 and 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2002-002

Noncompliance Citation

Ohio Rev. Code Section 5705.38 states that, on or about the first day of each year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure. If the subdivision desires to postpone the passage of an annual appropriation measure until an amended certificate is received based on actual balances, it may pass a temporary appropriation for meeting ordinary expenses of the taxing unit until not later than the first day of April of the current year, and the appropriations made therein shall be chargeable to the appropriations in the annual appropriation measure for that fiscal year when passed.

The District failed to pass a temporary or permanent appropriation measure for the years 2002 and 2001.

We recommend the District pass the appropriation measure at the beginning of the year. If the District wants to postpone the appropriation measure until later in the year, they should pass a temporary appropriation measure.

FINDING NUMBER 2002-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (B) states, in part, that no subdivision or taxing unit is to expend money unless it has been properly appropriated.

The District did not pass permanent appropriation measures for the years 2002 and 2001; therefore, all expenditures exceeded appropriations.

We recommend the District annually pass a permanent appropriation resolution and review the appropriation balances each month and approve appropriation amendments as needed, prior to expending funds in excess of existing appropriations. The District Clerk should deny any payments when expenditures exceed appropriations.

FINDING NUMBER 2002-004

Noncompliance Citation

Ohio Rev. Code Section 117.38 states that each public office shall file a financial report for each fiscal year. The report shall be certified by the proper officer or board and filed with the auditor of state within 60 days after the close of the fiscal year for a government on a cash-basis approach. Also, the public office shall publish a notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

For 2002 and 2001, the District did not prepare annual financial reports.

We recommend the District Clerk ensure their annual reports are prepared and filed within 60 days of the fiscal year end with the Auditor of States office and that notices are published in a local newspaper that the District's annual financial reports are available for public inspection.

**MEAD TOWNSHIP PARK DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 and 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2002-005

Noncompliance Citation/Material Weakness

The District should maintain adequate financial and budgetary records to provide ongoing and timely information.

Ohio Admin. Code Section 117-2-02(A) requires all local public offices to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Ohio Admin. Code Section 117-2-02(C), provides suggested systems and documents that may be used to effectively maintain the accounting and budgetary records of the local public office:

- The District should integrate the budgetary accounts, at the legal level of control, into the accounting system. The legal level of control is established by the level at which the legislative body appropriates.
- Purchase orders should be used to approve purchase commitments and to encumber funds against the applicable appropriation accounts. Purchase orders are not effective unless the fiscal officer's certificate is attached.
- Vouchers may be used as a written order authorizing the drawing of a check in payment of a lawful obligation. Each voucher shall contain the date, purchase order number, the line item to be charged, amount and approval.

Ohio Admin. Code Section 117-2-02 (D) provides that all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:

- Cash journal, which typically contains the following information: the amount, date, receipt number, check number, line item, and purchase order number.
- Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt. The amount, date, name of payor, purpose, and receipt number can be recorded in this ledger.
- Appropriation ledger, which may assemble and classify disbursements or expenditures into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, line item, date, check number, purchase order number, encumbrance amount, unencumbered balance, and amount of disbursement can be recorded in this ledger.

The District Clerk did not maintain proper accounting and budgetary records during 2002 and 2001. The District did not begin operations until July 20, 2001; therefore, the District Clerk did not know the proper accounting records to keep and that an annual financial report was required to be prepared and filed with the Auditor of State.

Using the aforementioned accounting and budgeting records and documents will provide the District Board with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

**MEAD TOWNSHIP PARK DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 and 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2002-006

Material Weakness

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

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

We recommend the District Clerk reconcile the bank depository amount to the balance maintained on the check register. In addition, if the District implements a procedure to record all financial activity in a cash journal, the balance in the cash journal could be reconciled to the bank depository amount. This procedure could ensure the validity and completeness of all components of the reconciliation. In addition, any errors or unreconciled balances would be detected and investigated in a timely manner.

FINDING NUMBER 2002-007

Reportable Condition

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

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

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



**Auditor of State
Betty Montgomery**

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**MEAD TOWNSHIP PARK DISTRICT
BELMONT COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 30, 2004**