



**PROSPECT TOWNSHIP PARK DISTRICT  
MARION COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**



**Auditor of State  
Betty Montgomery**



PROSPECT TOWNSHIP PARK DISTRICT  
MARION COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Commissioners:

We have audited the accompanying financial statements of the governmental activities and the major fund of the Prospect Township Park District, Marion County, Ohio, (the District) as of and for the years ended December 31, 2005, and December 31, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The District processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the District because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and the major fund of the Prospect Township Park District, Marion County, Ohio, as of December 31, 2005, and December 31, 2004, and the respective change in cash financial position and the respective budgetary comparison for the General Fund thereof for the years then ended in conformity with the accounting basis Note 2 describes.

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For the year ended December 31, 2004, the District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The aforementioned revision to generally accepted accounting principles also requires the District to include Management's Discussion and Analysis for the year ended December 31, 2004. 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.



**Betty Montgomery**  
Auditor of State

October 24, 2006

PROSPECT TOWNSHIP PARK DISTRICT  
MARION COUNTY

STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2005

	<u>Primary Government Governmental Activity</u>
<b>Assets</b>	
Cash and Cash Equivalents	<u>\$20,951</u>
<i>Total Assets</i>	<u><u>\$20,951</u></u>
<b>Net Assets</b>	
Unrestricted	<u>\$20,951</u>
<i>Total Net Assets</i>	<u><u>\$20,951</u></u>

See accompanying notes to the basic financial statements

**PROSPECT TOWNSHIP PARK DISTRICT  
MARION COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Program Receipts		Net (Disbursements) Receipts and Change in Net Assets
Disbursements	Charges for Services	Contributions	Governmental Activity
<b>Governmental Activity</b>			
Conservation and Recreation	\$50,978	\$5,302	\$3,800
Capital Outlay	77,895	0	0
Total	<u>\$128,873</u>	<u>\$5,302</u>	<u>\$3,800</u>
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PROSPECT TOWNSHIP PARK DISTRICT  
MARION COUNTY

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCE  
GOVERNMENTAL FUND  
DECEMBER 31, 2005

	<u>General</u>
<b>Assets</b>	
Cash and Cash Equivalents	<u>\$20,951</u>
<b>Fund Balance</b>	
Reserved for Encumbrances	1,909
Unreserved, Undesignated	<u>19,042</u>
<i>Total Fund Balance</i>	<u>\$20,951</u>

See accompanying notes to the basic financial statements

PROSPECT TOWNSHIP PARK DISTRICT  
MARION COUNTY

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGE IN CASH BASIS  
FUND BALANCE - GOVERNMENTAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>General</u>
<b>Receipts</b>	
Property Taxes	\$47,435
Intergovernmental	5,776
Interest	881
Miscellaneous	9,198
	<hr/>
<i>Total Receipts</i>	63,290
	<hr/>
<b>Disbursements</b>	
Current:	
Conservation and Recreation	50,978
Capital Outlay	77,895
	<hr/>
<i>Total Disbursements</i>	128,873
	<hr/>
<i>Excess of Receipts (Under) Disbursements</i>	(65,583)
	<hr/>
<b>Extraordinary Item</b>	
Fire Damage Insurance Reimbursement	14,653
	<hr/>
<i>Net Change in Fund Balance</i>	(50,930)
	<hr/>
<i>Fund Balance Beginning of Year</i>	71,881
	<hr/>
<i>Fund Balance End of Year</i>	<u><u>\$20,951</u></u>

See accompanying notes to the basic financial statements

**PROSPECT TOWNSHIP PARK DISTRICT  
MARION COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property Taxes	\$46,251	\$46,251	\$47,435	\$1,184
Intergovernmental	6,000	6,000	5,776	(224)
Interest	1,000	1,000	881	(119)
Miscellaneous	9,500	9,500	9,198	(302)
<i>Total Receipts</i>	<u>62,751</u>	<u>62,751</u>	<u>63,290</u>	<u>539</u>
<b>Disbursements</b>				
Current:				
Conservation and Recreation	60,115	60,115	51,993	8,122
Capital Outlay	35,000	35,000	78,789	(43,789)
<i>Total Disbursements</i>	<u>95,115</u>	<u>95,115</u>	<u>130,782</u>	<u>(35,667)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(32,364)</u>	<u>(32,364)</u>	<u>(67,492)</u>	<u>(35,128)</u>
<b>Extraordinary Item</b>				
Fire Damage Insurance Reimbursement	2,500	14,500	14,653	153
<i>Net Change in Fund Balance</i>	(29,864)	(17,864)	(52,839)	(34,975)
<i>Fund Balance Beginning of Year</i>	71,266	71,266	71,266	0
Prior Year Encumbrances Appropriated	615	615	615	0
<i>Fund Balance End of Year</i>	<u>\$42,017</u>	<u>\$54,017</u>	<u>\$19,042</u>	<u>(\$34,975)</u>

See accompanying notes to the basic financial statements

PROSPECT TOWNSHIP PARK DISTRICT  
MARION COUNTY

STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2004

	<u>Primary Government Governmental Activity</u>
<b>Assets</b>	
Cash and Cash Equivalents	<u>\$71,881</u>
<i>Total Assets</i>	<u><u>\$71,881</u></u>
<b>Net Assets</b>	
Unrestricted	<u>\$71,881</u>
<i>Total Net Assets</i>	<u><u>\$71,881</u></u>

See accompanying notes to the basic financial statements

**PROSPECT TOWNSHIP PARK DISTRICT  
MARION COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Program Receipts		Net (Disbursements) Receipts and Change in Net Assets
Disbursements	Charges for Services	Contributions	Governmental Activity
<b>Governmental Activity</b>			
Conservation and Recreation	\$50,327	\$6,800	\$1,442
Capital Outlay	38,218	0	(38,218)
Total	<u>\$88,545</u>	<u>\$6,800</u>	<u>\$1,442</u>
			(80,303)
			<b>General Receipts</b>
			Property Taxes 48,565
			Entitlements not Restricted to Specific Programs 6,114
			Interest 747
			Miscellaneous 1,260
			<i>Total General Receipts</i> 56,686
			Extraordinary Item - Fire Damage Insurance Reimbursement 27,453
			<i>Total General Receipts and Extraordinary Item</i> 84,139
			Change in Net Assets 3,836
			<i>Net Assets Beginning of Year</i> 68,045
			<i>Net Assets End of Year</i> <u>\$71,881</u>

See accompanying notes to the basic financial statements

PROSPECT TOWNSHIP PARK DISTRICT  
MARION COUNTY

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCE  
GOVERNMENTAL FUND  
DECEMBER 31, 2004

	<u>General</u>
<b>Assets</b>	
Cash and Cash Equivalents	<u>\$71,881</u>
<b>Fund Balance</b>	
Reserved for Encumbrances	615
Unreserved, Undesignated	<u>71,266</u>
<i>Total Fund Balance</i>	<u>\$71,881</u>

See accompanying notes to the basic financial statements

PROSPECT TOWNSHIP PARK DISTRICT  
MARION COUNTY

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGE IN CASH BASIS  
FUND BALANCE - GOVERNMENTAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>General</u>
<b>Receipts</b>	
Property Taxes	\$48,565
Intergovernmental	6,114
Interest	747
Miscellaneous	9,502
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<i>Total Receipts</i>	64,928
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<b>Disbursements</b>	
Current:	
Conservation and Recreation	50,327
Capital Outlay	38,218
	<hr/>
<i>Total Disbursements</i>	88,545
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<i>Excess of Receipts (Under) Disbursements</i>	(23,617)
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<b>Extraordinary Item</b>	
Fire Damage Insurance Reimbursement	27,453
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<i>Net Change in Fund Balance</i>	3,836
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<i>Fund Balance Beginning of Year</i>	68,045
	<hr/>
<i>Fund Balance End of Year</i>	<u><u>\$71,881</u></u>

See accompanying notes to the basic financial statements

**PROSPECT TOWNSHIP PARK DISTRICT  
MARION COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$50,000	\$50,000	\$48,565	(\$1,435)
Intergovernmental	2,251	2,251	6,114	3,863
Interest	459	459	747	288
Miscellaneous	1,900	1,900	9,502	7,602
<i>Total Receipts</i>	<u>54,610</u>	<u>54,610</u>	<u>64,928</u>	<u>10,318</u>
<b>Disbursements</b>				
Current:				
Conservation and Recreation	64,200	64,200	50,942	13,258
Capital Outlay	22,000	22,000	38,218	(16,218)
<i>Total Disbursements</i>	<u>86,200</u>	<u>86,200</u>	<u>89,160</u>	<u>(2,960)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(31,590)</u>	<u>(31,590)</u>	<u>(24,232)</u>	<u>7,358</u>
<b>Extraordinary Item</b>				
Fire Damage Insurance Reimbursement	<u>0</u>	<u>0</u>	<u>27,453</u>	<u>27,453</u>
<i>Net Change in Fund Balance</i>	(31,590)	(31,590)	3,221	34,811
<i>Fund Balance Beginning of Year</i>	<u>68,045</u>	<u>68,045</u>	<u>68,045</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$36,455</u></u>	<u><u>\$36,455</u></u>	<u><u>\$71,266</u></u>	<u><u>\$34,811</u></u>

See accompanying notes to the basic financial statements



**PROSPECT TOWNSHIP PARK DISTRICT  
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**Note 1 – Reporting Entity**

The Prospect Township Park District, Marion County, Ohio, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by a three-member Board of Commissioners appointed by the probate judge of Marion County. The District acquires land for conversion into forest reserves and for the conservation of the natural resources, including streams, lakes, submerged lands and swamp lands. The Board may also create parks, parkways, and other reservations and may afforest, develop, improve and protect and promote the use of same as the Board deems conducive to the general welfare. The reporting entity is comprised of the primary government.

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**

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

The statement of net assets presents the cash balance of the governmental activities of the District at year end. The statement of activities compares disbursements with program receipts for each program or function of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program is self-financing on a cash basis or draws from the District's general receipts.

**PROSPECT TOWNSHIP PARK DISTRICT  
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

A. Basis of Presentation (Continued)

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Fund

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

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

C. Basis of Accounting

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

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

D. Budgetary Process

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

**PROSPECT TOWNSHIP PARK DISTRICT  
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

D. Budgetary Process (Continued)

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

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

E. Cash and Investments

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

During 2005 and 2004, the District invested in STAR Ohio, an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005, and December 31, 2004.

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**PROSPECT TOWNSHIP PARK DISTRICT  
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

I. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes primarily included activities of economic development. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide statement of net assets reports no restricted net assets.

J. Fund Balance Reserves

The District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances in the amount of \$1,909 and \$615 at December 31, 2005, and December 31, 2004, respectively.

**Note 3 – Change in Basis of Accounting**

In 2003, the District reported fund financial statements using the regulatory basis of accounting as prescribed by the State Auditor's Office. For 2004, the District has revised its financial presentation comparable to the requirements of Governmental Accounting Standards No. 34. The fund financial statements now present each major fund in a separate column. This change had no effect on fund balance as previously reported.

**Note 4 – Change in Accounting Principle**

The District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposits and Investments Risk Disclosure." GASB Statement No. 40 establishes and modifies the disclosure requirements related to deposit and investment risks. The implementation of this statement did not result in any change to the District's financial statements.

**Note 5 – Compliance**

Contrary to Ohio Rev. Code Section 5705.41(B), budgetary expenditures exceeded appropriation authority in the General Fund by \$35,667 for the year ended December 31, 2005 and by \$2,960 for the year ended December 31, 2004.

The District did not certify expenditures in accordance with Ohio Rev. Code Section 5705.41(D) during 2005 and 2004.

The District did not amend appropriations in accordance with Ohio Rev. Code Section 5705.40 during 2005 and 2004.

**PROSPECT TOWNSHIP PARK DISTRICT  
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**Note 6 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Change in Fund Balance – Budget and Actual – Budget Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at December 31, 2005, and December 31, 2004 (budgetary basis) amounted to \$1,909 and \$615, respectively.

**Note 7 – Deposits and Investments**

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

Active monies are public monies determined to be necessary to meet current demands upon the District treasury. Active monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts. Inactive deposits are public deposits that District Board of Commissioners have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**PROSPECT TOWNSHIP PARK DISTRICT  
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**Note 7 - Deposits and Investments (Continued)**

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District's bank balance during 2005 and 2004 was not exposed to custodial credit risk because those deposits were insured entirely by the FDIC.

Investments

The District invests only in STAR Ohio, which had a carrying value of \$15,964 at December 31, 2005 and \$60,139 at December 31, 2004.

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

**Note 8 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes, and real property tax receipts received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes, and public utility property tax receipts received in 2004 represent the collection of 2003 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2002, were levied after October 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**PROSPECT TOWNSHIP PARK DISTRICT  
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**Note 8 – Property Taxes (Continued)**

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes, and tangible personal property tax receipts (other than public utility property) received in 2004 represent the collection of 2004 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all District operations for the years ended December 31, 2005, and December 31, 2004, was \$2.20 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 and 2004 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$29,224,960
Commercial/Industrial/Mineral	2,080,650
Public Utility Property	
Real	55,320
Personal	3,469,480
Tangible Personal Property	783,900
Total Assessed Value	<u><u>\$35,614,310</u></u>

**Note 9 – Risk Management**

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

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

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

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. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**PROSPECT TOWNSHIP PARK DISTRICT  
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**Note 9 – Risk Management (Continued)**

Property Coverage

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. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

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 upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

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

Members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

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, 2005 and 2004.

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$29,719,675	\$27,437,169
Liabilities	(15,994,168)	(13,880,038)
Retained earnings	\$13,725,507	\$13,557,131

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$4,443,332	\$3,648,272
Liabilities	(1,068,245)	(540,073)
Retained earnings	\$3,375,087	\$3,108,199



**PROSPECT TOWNSHIP PARK DISTRICT  
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**Note 9 – Risk Management (Continued)**

The Casualty Coverage assets and retained earnings above include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. PEP will collect these amounts in future annual premium billings when PEP's related liabilities are due for payment. The District's share of these unpaid claims is approximately \$7,250.

**Note 10 – Defined Benefit Pension Plans**

Ohio Public Employees Retirement System

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

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

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

For 2005 and 2004, the members of all three plans were required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The District's contribution rate for pension benefits for 2005 and 2004 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$3,523, \$3,489, and \$3,165, respectively. The full amount has been contributed for 2005, 2004 and 2003.

**PROSPECT TOWNSHIP PARK DISTRICT  
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**Note 11 - Postemployment Benefits**

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12* "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 and 2004 employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits totaled \$1,476 for 2005 and \$1,461 for 2004. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

**Note 12 – Extraordinary Items**

The District received insurance reimbursements related to fire damage at a local shelter house. These reimbursements totaled \$14,653 in 2005 and \$27,453 in 2004, and have been shown as extraordinary items on the accompanying financial statements.



**Auditor of State  
Betty Montgomery**

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

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

To the Board of Commissioners:

We have audited the financial statements of the governmental activities and the major fund of the Prospect Township Park District, Marion County, Ohio, (the District) as of and for the years ended December 31, 2005, and December 31, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 24, 2006, wherein we noted the District revised its financial presentation comparable to the requirements of Government Auditing Standards Board Statement No. 34. We also noted the District uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the District because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated October 24, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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### **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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001, 2005-002, and 2005-003. In a separate letter to the District's management dated October 24, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Board of Commissioners. It is not intended for 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

October 24, 2006

**PROSPECT TOWNSHIP PARK DISTRICT  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2005-001**

**Certification of Expenditures**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

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

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

**b. 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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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.

**c. Super Blanket Certificate** – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Forty-five percent of the transactions tested were not certified by the Clerk prior to the commitment being incurred, nor were they certified using a then and now certificate. This procedure is not only required by Ohio law, but is a key internal control procedure in the disbursement process to assure purchase commitments receive prior approval, and to help reduce the possibility of the District's funds being over-expended or exceeding budgetary spending limitations.

**PROSPECT TOWNSHIP PARK DISTRICT  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2005-001 (Continued)**

**Certification of Expenditures (Continued)**

We recommend the District certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Clerk should sign the certification prior to the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The approved purchase commitments should be posted to the proper appropriation code to reduce the available appropriation. When prior certification is not possible, "then and now" certification should be used.

**FINDING NUMBER 2005-002**

**Amending or Supplementing Appropriations**

Ohio Rev. Code 5705.40 states that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation. Transfers may be made by resolution or ordinance from one appropriation item to another.

The District amended appropriations one time in 2004 by \$25,000, for which there was no certified copy of the appropriation measure. In 2005, the District amended appropriations three times throughout the year for a combined total of \$45,500. The District filed with the County Auditor and received an amended official certificate dated January 10, 2006, which included the total increase in 2005 appropriations.

Furthermore, the District transferred amounts from one appropriation item to another six times in 2004 for a total of \$5,570 and seven times in 2005 for a total of \$2,850 without documentation of a resolution or ordinance.

We recommend that the Board approve by resolution the amended appropriations and file the amended appropriations with the County Auditor to receive an amended official certificate at the time of the amendment. We further recommend that the Board approve by resolution all transfers from one appropriation item to another prior to such transfers being made.

**FINDING NUMBER 2005-003**

**Expenditures Exceed Appropriations**

Ohio Rev. Code Section 5705.41(B) states in part that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated against an appropriate fund.

Budgetary expenditures exceeded appropriations in the General Fund by \$35,667 for the year ended December 31, 2005, and by \$2,960 for the year ended December 31, 2004.

We recommend the District closely monitor budgeted versus actual expenditure reports throughout the year to ensure expenditures do not exceed appropriations. In order to keep expenditures within appropriated amounts, the Board may consider amending appropriations or implementing cost-cutting measures to limit District expenditures.

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



**Auditor of State  
Betty Montgomery**

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**PROSPECT TOWNSHIP PARK DISTRICT**

**MARION COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 30, 2006**