



**RUSSELL TOWNSHIP PARK COMMISSION
GEAUGA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004



**Auditor of State
Betty Montgomery**

RUSSELL TOWNSHIP PARK COMMISSION
GEAUGA COUNTY

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**Auditor of State
Betty Montgomery**

Russell Township Park Commission
Geauga County
8501 Kinsman Road
Novelty, Ohio 44072

To the Board of Commissioners:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Betty Montgomery
Auditor of State

October 16, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Russell Township Park Commission
Geauga County
8501 Kinsman Road
Novelty, Ohio 44072

To the Board of Commissioners:

We have audited the accompanying financial statements of the Russell Township Park Commission, Geauga County, Ohio, (the Commission) as of and for the years ended December 31, 2005 and December 31, 2004. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion 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. We believe our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Commission to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Commission does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Commission has elected not to reformat its statements. Since this Commission does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Commission as of December 31, 2005 and December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Russell Township Park Commission, Geauga County, Ohio, as of December 31, 2005 and December 31, 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Commission to include Management's Discussion and Analysis for the year ended December 31, 2005 and December 31, 2004. The Commission has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2006, on our consideration of the Commission'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.



Betty Montgomery
Auditor of State

October 16, 2006

**RUSSELL TOWNSHIP PARK COMMISSION
GEAUGA COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
General Property Tax - Real Estate	\$31,479	\$127,815	\$159,294
Tangible Personal Property Tax	326	1,325	1,651
Other Government Grants-in-Aid	15,413	868,779	884,192
Interest Income	2,971	0	2,971
Miscellaneous	362	1,063	1,425
	<u>50,551</u>	<u>998,982</u>	<u>1,049,533</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Materials and Supplies	10,127	0	10,127
Land Purchase	0	835,499	835,499
Debt:			
Payment of Principal	0	180,480	180,480
Payment of Interest	0	24,988	24,988
	<u>10,127</u>	<u>1,040,967</u>	<u>1,051,094</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	<u>40,424</u>	<u>(41,985)</u>	<u>(1,561)</u>
Fund Cash Balances, January 1, 2005	<u>33,911</u>	<u>87,868</u>	<u>121,779</u>
Fund Cash Balances, December 31, 2005	<u>\$74,335</u>	<u>\$45,883</u>	<u>\$120,218</u>

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

**RUSSELL TOWNSHIP PARK COMMISSION
GEAUGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
General Property Tax - Real Estate	\$31,061	\$126,119	\$157,180
Tangible Personal Property Tax	126	510	636
Other Government Grants-in-Aid	15,329	18,074	33,403
Interest Income	2,251	0	2,251
Miscellaneous	1,823	0	1,823
	<u>50,590</u>	<u>144,703</u>	<u>195,293</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Materials and Supplies	21,479	0	21,479
Capital Improvements	227,700	0	227,700
Land Purchase	0	1,028,000	1,028,000
Debt:			
Payment of Principal	0	54,388	54,388
Payment of Interest	0	14,761	14,761
	<u>249,179</u>	<u>1,097,149</u>	<u>1,346,328</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	<u>(198,589)</u>	<u>(952,446)</u>	<u>(1,151,035)</u>
Other Financing Receipts:			
Loan Proceeds	0	608,000	608,000
	<u>0</u>	<u>608,000</u>	<u>608,000</u>
Total Other Financing Receipts			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>(198,589)</u>	<u>(344,446)</u>	<u>(543,035)</u>
Fund Cash Balances, January 1, 2004	<u>232,500</u>	<u>432,314</u>	<u>664,814</u>
Fund Cash Balances, December 31, 2004	<u>\$33,911</u>	<u>\$87,868</u>	<u>\$121,779</u>

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

**RUSSELL TOWNSHIP PARK COMMISSION
GEAUGA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Russell Township Park Commission, Geauga County, Ohio, (the Commission) 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 Commission is directed by a three-member Board of Commissioners appointed by the probate judge of Geauga County. The Commission acquires lands 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 Commission's management believes these financial statements present all activities for which the Commission is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Commission recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Commission includes Investments as assets. Accordingly, the Commission does not record purchases of investments as disbursements or sales of investments as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

STAR Ohio is recorded at share value reported by the fund.

D. Fund Accounting

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

1. General Fund

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

**RUSSELL TOWNSHIP PARK COMMISSION
GEAUGA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

Conservation Land Fund – This fund receives tax monies to purchase land.

E. Budgetary Process

The Ohio Revised Code requires the Board of Commissioners to budget each fund annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

**RUSSELL TOWNSHIP PARK COMMISSION
GEAUGA COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2005	2004
Demand deposits	\$113,122	\$114,898
Total deposits	113,122	114,898
STAR Ohio	7,096	6,881
Total investments	7,096	6,881
Total deposits and investments	\$120,218	\$121,779

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and December 31, 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$48,440	\$50,551	\$2,111
Special Revenue	993,208	998,982	5,774
Total	\$1,041,648	\$1,049,533	\$7,885

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$82,348	\$10,127	\$72,221
Special Revenue	1,081,078	1,040,967	40,111
Total	\$1,163,426	\$1,051,094	\$112,332

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$53,001	\$50,590	(\$2,411)
Special Revenue	392,010	752,703	360,693
Total	\$445,011	\$803,293	\$358,282

**RUSSELL TOWNSHIP PARK COMMISSION
GEAUGA COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$284,500	\$249,179	\$35,321
Special Revenue	824,324	1,097,149	(272,825)
Total	\$1,108,824	\$1,346,328	(\$237,504)

4. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Commission.

Property owners assess tangible personal property tax. They must file a list of this property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 2005:

	Principal	Interest Rate
Sky Bank Loan	\$373,132	4.75%
Total	\$373,132	

The Commission entered into a loan for the purchase of land on March 12, 2004, in the amount of \$608,000 at 4.75 percent for a term of five years to acquire additional park land. Interest and principal payments are due semi-annually to Sky Bank.

**RUSSELL TOWNSHIP PARK COMMISSION
GEAUGA COUNTY**

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

5. DEBT (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

<u>Year ending December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$118,516	\$19,781	\$138,297
2007	124,292	14,005	138,297
2008	130,324	7,974	138,298
Total	<u>\$373,132</u>	<u>\$41,760</u>	<u>\$414,892</u>

6. RISK MANAGEMENT

Commercial Insurance

The Commission has obtained commercial insurance for the following risks:

- Errors and omissions.

The Commission is not insured for the following risks:

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

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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*

Russell Township Park Commission
Geauga County
8501 Kinsman Road
Novelty, Ohio 44072

To the Board of Commissioners:

We have audited the financial statements of the Russell Township Park Commission, Geauga County, Ohio, (the Commission) as of and for the years ended December 31, 2005 and December 31, 2004, and have issued our report thereon dated October 16, 2006, wherein we noted the Commission followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 Commission's internal control over financial reporting to determine our auditing procedures to express our opinion 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 Commission's management dated October 16, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Commission'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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Commission's management dated October 16, 2006, we reported other matters related to noncompliance we deemed immaterial.

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Russell Township Park Commission
Geauga County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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 16, 2006



**Auditor of State
Betty Montgomery**

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RUSSELL TOWNSHIP PARK COMMISSION

GEAUGA 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 5, 2006**