



Mary Taylor, CPA  
Auditor of State



MUSKINGUM VALLEY PARK DISTRICT  
MUSKINGUM COUNTY

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**Mary Taylor, CPA**  
Auditor of State

Muskingum Valley Park District  
Muskingum County  
P.O. Box 446  
Zanesville, Ohio 43702-0446

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

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

October 3, 2007

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Muskingum Valley Park District  
Muskingum County  
P.O. Box 446  
Zanesville, Ohio 43702-0446

To the Board of Park Commissioners:

We have audited the accompanying financial statements of the Muskingum Valley Park District, Muskingum County, Ohio (the District), as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on 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 District 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the District's larger (i.e., major) funds separately. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require park districts to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. 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, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2006 and 2005 or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Muskingum Valley Park District, Muskingum County, Ohio, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2007 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.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

October 3, 2007



**MUSKINGUM VALLEY PARK DISTRICT  
MUSKINGUM COUNTY**

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

|   | <u>Governmental Fund Type</u> |                            |                             | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|---|-------------------------------|----------------------------|-----------------------------|---|
|   | <u>General</u>                | <u>Special<br/>Revenue</u> | <u>Capital<br/>Projects</u> |   |
| <b>Cash Receipts:</b>                               |                               |                            |                             |   |
| Intergovernmental                                   |                               |                            |                             |   |
| State   | \$100,971                     |                            |                             | \$100,971                               |
| Local (County)                                      | 9,200                         |                            |                             | 9,200                                   |
| Investment Income                                   |                               | \$605                      |                             | 605                                     |
| Gifts and Donations                                 | 9,106                         |                            |                             | 9,106                                   |
| Fees  | 3,211                         |                            |                             | 3,211                                   |
| Other Receipts                                      | 903                           |                            |                             | 903                                     |
|   | <hr/>                         | <hr/>                      | <hr/>                       | <hr/>                                   |
| Total Cash Receipts                                 | 123,391                       | 605                        | \$0                         | 123,996                                 |
|   | <hr/>                         | <hr/>                      | <hr/>                       | <hr/>                                   |
| <b>Cash Disbursements:</b>                          |                               |                            |                             |   |
| Current:  |                               |                            |                             |   |
| Salaries - Employees                                | 67,150                        |                            |                             | 67,150                                  |
| Supplies  | 923                           |                            |                             | 923                                     |
| Materials   | 1,388                         |                            | 448                         | 1,836                                   |
| Equipment   | 20,307                        |                            |                             | 20,307                                  |
| Contracts - Repair                                  | 797                           |                            |                             | 797                                     |
| Contracts - Services                                | 2,006                         |                            | 1,389                       | 3,395                                   |
| Rentals   | 72                            |                            |                             | 72                                      |
| Advertising and Printing                            | 62                            |                            |                             | 62                                      |
| Travel  | 4,364                         |                            |                             | 4,364                                   |
| Public Employees Retirement                         | 9,192                         |                            |                             | 9,192                                   |
| Workers' Compensation                               | 1,129                         |                            |                             | 1,129                                   |
| Insurance   | 26,105                        |                            |                             | 26,105                                  |
| Capital Outlay                                      | 17,840                        |                            |                             | 17,840                                  |
| Other   | 1,585                         | 4,000                      |                             | 5,585                                   |
|   | <hr/>                         | <hr/>                      | <hr/>                       | <hr/>                                   |
| Total Cash Disbursements                            | 152,920                       | 4,000                      | 1,837                       | 158,757                                 |
|   | <hr/>                         | <hr/>                      | <hr/>                       | <hr/>                                   |
| Total Cash Receipts Over/(Under) Cash Disbursements | (29,529)                      | (3,395)                    | (1,837)                     | (34,761)                                |
|   | <hr/>                         | <hr/>                      | <hr/>                       | <hr/>                                   |
| Fund Cash Balances, January 1                       | 37,426                        | 14,643                     | 110,829                     | 162,898                                 |
|   | <hr/>                         | <hr/>                      | <hr/>                       | <hr/>                                   |
| <b>Fund Cash Balances, December 31</b>              | <b><u>\$7,897</u></b>         | <b><u>\$11,248</u></b>     | <b><u>\$108,992</u></b>     | <b><u>\$128,137</u></b>                 |
|   | <hr/>                         | <hr/>                      | <hr/>                       | <hr/>                                   |
| Reserves for Encumbrances, December 31              | <u>\$4,264</u>                | <u>\$0</u>                 | <u>\$1,158</u>              | <u>\$5,422</u>                          |

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

**MUSKINGUM VALLEY PARK DISTRICT  
MUSKINGUM COUNTY**

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

|   | Governmental Fund Type |                    |                     | Totals<br>(Memorandum<br>Only) |
|---|------------------------|--------------------|---------------------|--------------------------------|
|   | General                | Special<br>Revenue | Capital<br>Projects |                                |
| <b>Cash Receipts:</b>                               |                        |                    |                     |                                |
| Intergovernmental                                   |                        |                    |                     |                                |
| State   | \$92,527               |                    |                     | \$92,527                       |
| In-Kind Contributions                               |                        |                    | \$20,106            | 20,106                         |
| Investment Income                                   |                        | \$442              |                     | 442                            |
| Gifts and Donations                                 | 25,543                 |                    |                     | 25,543                         |
| Fees  | 4,376                  |                    |                     | 4,376                          |
| Other Receipts                                      | 29,897                 |                    |                     | 29,897                         |
|   |                        |                    |                     |                                |
| Total Cash Receipts                                 | 152,343                | 442                | 20,106              | 172,891                        |
| <b>Cash Disbursements:</b>                          |                        |                    |                     |                                |
| Current:  |                        |                    |                     |                                |
| Salaries - Employees                                | 67,100                 |                    |                     | 67,100                         |
| Supplies  | 3,015                  |                    |                     | 3,015                          |
| Materials   | 1,361                  |                    | 2,310               | 3,671                          |
| Equipment   | 419                    |                    |                     | 419                            |
| Contracts - Repair                                  | 1,667                  |                    |                     | 1,667                          |
| Contracts - Services                                | 12,931                 |                    | 20,371              | 33,302                         |
| Rentals   | 1,258                  |                    |                     | 1,258                          |
| Advertising and Printing                            | 795                    |                    |                     | 795                            |
| Travel  | 4,549                  |                    |                     | 4,549                          |
| Public Employees Retirement                         | 9,092                  |                    |                     | 9,092                          |
| Workers' Compensation                               | 937                    |                    |                     | 937                            |
| Insurance   | 26,006                 |                    |                     | 26,006                         |
| Capital Outlay                                      | 25,000                 |                    |                     | 25,000                         |
| Other   | 1,500                  |                    |                     | 1,500                          |
|   |                        |                    |                     |                                |
| Total Cash Disbursements                            | 155,630                | 0                  | 22,681              | 178,311                        |
| Total Cash Receipts Over/(Under) Cash Disbursements | (3,287)                | 442                | (2,575)             | (5,420)                        |
| Restated Fund Cash Balances, January 1 (See Note 7) | 40,713                 | 14,201             | 113,404             | 168,318                        |
|   |                        |                    |                     |                                |
| <b>Fund Cash Balances, December 31</b>              | <b>\$37,426</b>        | <b>\$14,643</b>    | <b>\$110,829</b>    | <b>\$162,898</b>               |
| Reserves for Encumbrances, December 31              | \$594                  | \$0                | \$0                 | \$594                          |

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

**MUSKINGUM VALLEY PARK DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Muskingum Valley Park District, Muskingum County, Ohio (the District) as a body corporate and politic. The probate judge of Muskingum County appoints a three-member Board of Commissioners to govern the District. The Commissioners are authorized to acquire, develop, protect, maintain, and improve park lands and facilities. The Commissioners may convert acquired land into forest reserves. The Commissioners are also responsible for activities related to conserving 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 these assets conducive to the general welfare.

The District's management believes these financial statements present all activities for which the District 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 District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**C. Cash and Investments**

As the Ohio Revised Code permits, the Muskingum County Treasurer holds the District's cash as the District's custodian. The County Treasurer holds the District's assets in its investment pool, valued at the County Treasurer's reported carrying amount, except for those monies held in trust by the District pertaining to the Meadow Springs Farm which are invested in STAROhio and recorded at the share values the STAROhio fund reports.

**D. Fund Accounting**

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

**1. General Fund**

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

**MUSKINGUM VALLEY PARK DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Special Revenue Funds**

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

Meadow Springs Farm Fund – This fund received monies from a trust agreement to be used for the conservation of the Meadow Springs Farm.

**3. Capital Project Funds**

These funds account for receipts restricted for acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The District had the following significant Capital Project Funds:

AEP Land Acquisition Project Fund - This fund received proceeds from the Clean Ohio Conservation Program administered by the Ohio Public Works Commission. The proceeds are being used to acquire land to cultivate recreational area for public use.

Joe's Run Green Space Project Fund - This fund received proceeds from the Clean Ohio Conservation Program administered by the Ohio Public Works Commission. The proceeds are being used to acquire land to cultivate recreational area for public use.

MERA Land Acquisition Project Fund - This fund received proceeds from the Clean Ohio Conservation Program administered by the Ohio Public Works Commission. The proceeds are being used to acquire land to cultivate recreational area for public use.

**E. Budgetary Process**

The Ohio Revised Code requires the Board of Commissioners to budget each fund annually except for the Meadow Springs Farm Fund (see Note 7).

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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. Unencumbered 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.

**MUSKINGUM VALLEY PARK DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Encumbrances**

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

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

**F. Property, Plant, and Equipment**

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

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

As discussed in Note 1C., the Muskingum County Treasurer holds the District's cash as the District's custodian. Monies that have been placed with the District in trust for the Meadow Springs Farm are invested with STAR Ohio. The carrying amount of the District's investment in STAROhio was \$11,248 and \$14,643 for 2006 and 2005, respectively. Investments in STAROhio 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, 2006 and 2005 follows:

| 2006 Budgeted vs. Actual Receipts |                      |                    |           |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance  |
| General                           | \$132,474            | \$123,391          | (\$9,083) |
| Capital Projects                  | 0                    | 0                  | 0         |
| Total                             | \$132,474            | \$123,391          | (\$9,083) |

**MUSKINGUM VALLEY PARK DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

| 2006 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |          |
|---|----------------------------|---------------------------|----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance |
| General   | \$165,851                  | \$157,184                 | \$8,667  |
| Capital Projects                                      | 3,513                      | 2,995                     | 518      |
| Total   | \$169,364                  | \$160,179                 | \$9,185  |

| 2005 Budgeted vs. Actual Receipts |                      |                    |           |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance  |
| General                           | \$152,339            | \$152,343          | \$4       |
| Capital Projects                  | 23,681               | 20,106             | (3,575)   |
| Total                             | \$176,020            | \$172,449          | (\$3,571) |

| 2005 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |             |
|---|----------------------------|---------------------------|-------------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance    |
| General   | \$176,230                  | \$156,224                 | \$20,006    |
| Capital Projects                                      | 1,020,794                  | 22,681                    | 998,113     |
| Total   | \$1,197,024                | \$178,905                 | \$1,018,119 |

The District did not properly approve amended appropriations at various times for the years ending December 31, 2006 and 2005, contrary to Ohio Rev. Code Section 5705.40.

**4. RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9% and 8.5%, respectively, of their gross salaries and the District contributed an amount equaling 13.7% and 13.55%, respectively, of participants' gross salaries. The District has paid all contributions required through December 31, 2006.

**MUSKINGUM VALLEY PARK DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**5. RISK MANAGEMENT**

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

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

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. 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

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General 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 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

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.

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 values.

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 2006 was \$1,901,127.

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

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

**MUSKINGUM VALLEY PARK DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**5. RISK MANAGEMENT (Continued)**

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005:

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

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

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$14.4 million and \$14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million and \$14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The District's share of these unpaid claims collectible in future years is approximately \$6,000. This payable includes the subsequent year's contribution due if the District terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

| <u>Contributions to PEP</u> |         |
|-----------------------------|---------|
| 2004                        | \$3,328 |
| 2005                        | \$3,172 |
| 2006                        | \$3,121 |



**MUSKINGUM VALLEY PARK DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**5. RISK MANAGEMENT (Continued)**

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**6. CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Management cannot presently determine amounts which may be disallowed, if any. However, based on prior experience, management believes any refunds would be immaterial.

**7. RESTATEMENT OF FUND BALANCE - MEADOW SPRINGS FARM**

On January 29, 1999, the District entered into a trust agreement in which the District maintains monies in escrow for the purpose of the conservation of Meadow Springs Farm (the Farm). The trust agreement requires the District to maintain the balance of the funds invested for the purpose of obtaining the maximum reasonably safe return with all investment income being accumulated and reinvested until such time as title to the Farm is transferred to the District. Once the District has obtained title to the Farm, monies held in escrow must be used for Farm related expenses and no further requirement exists concerning the reinvestment of principal and interest. As of the date of this report, the estate from which the Farm received the escrow has not been settled and title to the Farm has not yet been transferred to the District.

The financial activity related to the escrow account was previously omitted from the District's financial statements. Amounts were restated during the current period to include the activity of this trust as part of the District's financial statements. This resulted in reporting a new fund, the Meadow Springs Farm Special Revenue Fund, with a fund balance of \$14,201 as of December 31, 2004. During the two-year period ending December 31, 2006, transactions consisted solely of interest revenue and a stewardship fee of \$4,000. Since the monies held in escrow are not eligible to be expended until such time when the District obtains title to the Farm, there is no requirement to budget the monies and no budgetary information is reported in Note 3.

**8. RELATED PARTY TRANSACTIONS**

The District is provided office space without charge from the Muskingum County Board of County Commissioners.

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# Mary Taylor, CPA

Auditor of State

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

Muskingum Valley Park District  
Muskingum County  
P.O. Box 446  
Zanesville, Ohio 43702-0446

To the Board of Park Commissioners:

We have audited the financial statements of the Muskingum Valley Park District, Muskingum County, Ohio (the District), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated October 3, 2007, wherein we noted the District 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 District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting: 2006-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We do not believe the significant deficiency described above is a material weakness.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2006-001.

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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



**Mary Taylor, CPA**  
Auditor of State

October 3, 2007

**MUSKINGUM VALLEY PARK DISTRICT  
MUSKINGUM COUNTY**

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

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

**FINDING NUMBER 2006-001**

**Noncompliance Citation and Significant Deficiency**

Ohio Rev. Code Section 5705.40 states, in part, that a subdivision may amend or supplement its appropriation measure provided the entity complies with the same provisions of the law as are used in making the original appropriation.

Multiple appropriation amendments were posted to the accounting system during the audit period; however, the minutes were silent in regards to Board approval for various appropriation amendments. The following variances were noted between approved appropriations and those posted to the accounting system:

| <b>Fiscal<br/>Year</b> | <b>Fund</b>                   | <b>Appropriations<br/>Posted to the<br/>Accounting System</b> | <b>Approved<br/>Appropriations</b> | <b>Approved<br/>Appropriations<br/>Over/(Under)<br/>Posted</b> |
|------------------------|-------------------------------|---|------------------------------------|--|
| 2006                   | General                       | \$169,303   | \$165,258                          | (\$4,045)  |
|                        | MERA Land Acquisition Project | 3,800   | 2,479                              | (1,321)  |
| 2005                   | General                       | 172,609   | 175,816                            | 3,207  |
|                        | Joe's Run Green Space Project | 0   | 193,574                            | 193,574  |
|                        | AEP Land Acquisition          | 0   | 374,135                            | 374,135  |
|                        | MERA Land Acquisition Project | 22,681  | 101,385                            | 78,704   |
|                        | CSX Land Acquisition Project  | 0   | 351,700                            | 351,700  |

We recommend all appropriation amendments and supplemental appropriations be approved by the Board of Park Commissioners, as evidenced in the minutes, prior to being posted to the District's records. The accompanying note disclosure includes only appropriations that were approved by the Board of Park Commissioners in the minutes.

**Officials' Response**

To alleviate this oversight in the future, the Park District's monthly agenda will have as item 2, the following:

1. Financial Section:
  - Approval of line item transfers
  - Approval of supplemental appropriations (expenditure)
  - Approval of modifications to amended certificate (revenue)
  - Approval of financial statements (cashbook and GASWEB)
  - Approval of invoices greater than \$1,000

This is a draft template and may be fine tuned as we work with it throughout the remainder of 2007.

**MUSKINGUM VALLEY PARK DISTRICT  
MUSKINGUM COUNTY**

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

| Finding Number | Finding Summary   | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b> |
|----------------|---|------------------|--|
| 2004-001       | The District was found to be in noncompliance with Ohio Rev. Code Section 5705.41(B) as the District failed to properly amend appropriations in accordance with Ohio Rev. Code Section 5705.40. | No               | Repeated as finding number 2006-001.   |



**Mary Taylor, CPA**  
Auditor of State

**MUSKINGUM VALLEY PARK DISTRICT**

**MUSKINGUM 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 8, 2007**