



**BETTSVILLE RECREATION BOARD
SENECA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007



Mary Taylor, CPA
Auditor of State

**BETTSVILLE RECREATION BOARD
SENECA COUNTY**

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Mary Taylor, CPA
Auditor of State

Bettsville Recreation Board
Seneca County
P.O. Box 004
Bettsville, Ohio 44815-0004

To the Board of Trustees:

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

March 3, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Bettsville Recreation Board
Seneca County
P.O. Box 004
Bettsville, Ohio 44815-0004

To the Board of Trustees:

We have audited the accompanying financial statements of the Bettsville Recreation Board, Seneca County (the Board) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as described in the following paragraph, 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.

We were unable to obtain sufficient evidential matter supporting gate and parking receipts from the 4th of July fireworks display event. These revenues account for 4% and 18% of all admission revenues in the general fund for the years ended December 31, 2007 and 2006, respectively. We were also unable to obtain sufficient evidential matter for donation receipts. These revenues account for 11% and 7% of all general fund revenues for the years ended December 31, 2007 and 2006, respectively.

Without qualifying our opinion, we draw attention to Note 7 to the financial statements. The Board is the defendant in a wrongful death and negligent action lawsuit. The plaintiff has filed discovery requests and the Board has obtained an extension to respond. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

As described more fully in Note 1, the Board 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.

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Instead of the funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Board's larger (i.e. major) funds separately. While the Board 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 governments to reformat their statements. The Board 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, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Board as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence for amounts reported as admissions and donations revenues in the general fund for fiscal years 2007 and 2006, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Bettsville Recreation Board, Seneca County, as of December 31, 2007 and 2006, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Board 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 March 3, 2009, on our consideration of the Board'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.



Mary Taylor, CPA
Auditor of State

March 3, 2009

**BETTSVILLE RECREATION BOARD
SENECA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Governmental Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	General	Agency	
Cash Receipts:			
Taxes	\$18,220		\$18,220
Admissions	25,085		25,085
Memberships	3,317		3,317
Shelter Rental	1,590		1,590
Intergovernmental	4,441		4,441
Earnings on Investments	7		7
Donations	7,076	\$1,000	8,076
Miscellaneous	2,389		2,389
	<u>62,125</u>	<u>1,000</u>	<u>63,125</u>
Total Cash Receipts			
Cash Disbursements:			
Current Disbursements:			
Recreation:			
Salaries and Benefits	33,115		33,115
Materials and Supplies	4,916		4,916
Contracts - Repair	438		438
Contracts - Services	11,878		11,878
Advertising and Printing	325		325
Utilities	2,180		2,180
Other	2,249	1,823	4,072
Capital Outlay	1,684		1,684
	<u>56,785</u>	<u>1,823</u>	<u>58,608</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	<u>5,340</u>	<u>(823)</u>	<u>4,517</u>
Fund Cash Balances, January 1	<u>(1,298)</u>	<u>3,897</u>	<u>2,599</u>
Fund Cash Balances, December 31	<u>\$4,042</u>	<u>\$3,074</u>	<u>\$7,116</u>

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

**BETTSVILLE RECREATION BOARD
SENECA COUNTY**

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

	Governmental Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	General	Agency	
Cash Receipts:			
Taxes	\$13,452		\$13,452
Admissions	28,989		28,989
Memberships	2,048		2,048
Shelter Rental	1,915		1,915
Intergovernmental	2,768		2,768
Earnings on Investments	12		12
Donations	3,585	\$1,000	4,585
Miscellaneous	250		250
	<u>53,019</u>	<u>1,000</u>	<u>54,019</u>
Total Cash Receipts			
	<u>53,019</u>	<u>1,000</u>	<u>54,019</u>
Cash Disbursements:			
Current Disbursements:			
Recreation:			
Salaries and Benefits	29,343		29,343
Materials and Supplies	2,965		2,965
Contracts - Repair	817		817
Contracts - Services	13,887		13,887
Advertising and Printing	953		953
Utilities	3,370		3,370
Other	1,003	378	1,381
Capital Outlay	4,836		4,836
	<u>57,174</u>	<u>378</u>	<u>57,552</u>
Total Cash Disbursements			
	<u>57,174</u>	<u>378</u>	<u>57,552</u>
Total Receipts Over/(Under) Disbursements	<u>(4,155)</u>	<u>622</u>	<u>(3,533)</u>
Fund Cash Balances, January 1	<u>2,857</u>	<u>3,275</u>	<u>6,132</u>
Fund Cash Balances, December 31	<u>(\$1,298)</u>	<u>\$3,897</u>	<u>\$2,599</u>

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

**BETTSVILLE RECREATION BOARD
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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 Bettsville Recreation Board, Seneca County (the Board) as a body corporate and politic. The Board consists of five members: Two of its members are representatives from the Bettsville Board of Education; the remaining three members are appointed by the Mayor of the Village of Bettsville. The Board maintains, equips and operates the recreation facilities of the Village of Bettsville.

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

B. Accounting Basis

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

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

C. Fund Accounting

The Board uses fund accounting to segregate cash that is restricted as to use. The Board classifies its funds into the following types:

1. General Fund

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

2. Fiduciary Fund (Agency Fund)

A fiduciary fund is used when the Board is acting in an agency capacity. The Board had the following significant fiduciary fund:

Little League Fund - The Board acts as fiscal agent for the Bettsville Little League. This fund reports the activity of the Little League.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**BETTSVILLE RECREATION BOARD
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Board to reserve (encumber) appropriations when individual commitments are made. The Board did not use the encumbrance method of accounting.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

2. EQUITY IN POOLED CASH

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

	2007	2006
Demand deposits	\$7,116	\$2,599

Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$50,000	\$62,125	\$12,125

**BETTSVILLE RECREATION BOARD
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. BUDGETARY ACTIVITY – (CONTINUED)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$54,095	\$56,785	(\$2,690)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		\$53,019	\$53,019

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$57,174	(\$57,174)

Contrary to Ohio law, the Board did not approve or file any budgetary documents for the year ended December 31, 2006. Also contrary to Ohio law, the Fiscal Officer did not certify the availability of any funds for the years ended December 31, 2007 and 2006.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board adopted tax 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 Board.

Tangible personal property tax is assessed by the property owners, who must file a list of such 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 Board.

5. RETIREMENT SYSTEM

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

**BETTSVILLE RECREATION BOARD
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. RETIREMENT SYSTEM – (CONTINUED)

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5% and 9.0%, respectively, of their gross salaries and the Board contributed an amount equaling 13.85% and 13.7%, respectively, of participants' gross salaries. The Board has not paid all contributions required through December 31, 2007.

6. RISK MANAGEMENT

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

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

The Board pays the Village of Bettsville to be included on the Village's insurance policy which is through the Public Entities Pool of Ohio. There is currently a dispute between management and the insurance company as to whether or not the Bettsville Recreation Board is truly insured and covered under this policy.

7. CONTINGENT LIABILITIES

The Board is a defendant in a wrongful death lawsuit. The Board is currently in a dispute with their insurance company as to whether or not they are covered. The case will be defended by the insurance company or the Board will have to pay for its own counsel. Although management cannot presently determine the outcome of this suit, if it is not covered by the insurance company, it could materially affect the Board's financial condition. The Board is unable to determine an estimate of the amount or range of potential loss at this early of a stage in litigation.

8. SUBSEQUENT EVENTS

The Fiscal Officer, Michelle Kidwell resigned effective December 31, 2008. Sharon Lang has been appointed as the new Fiscal Officer.



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*

Bettsville Recreation Board
Seneca County
P.O. Box 0004
Bettsville, Ohio 44815-0004

To the Board of Trustees:

We have audited the financial statements of the Bettsville Recreation Board, Seneca County, (the Board) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated March 3, 2009, wherein we noted the Board followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We qualified our report due to our inability to obtain sufficient evidential matter supporting admission and donation revenues in fiscal years 2007 and 2006. In addition, the Board is the defendant in a wrongful death and negligent action lawsuit. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements. Except as discussed in the preceding sentences, 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 Board's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Board's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Board'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 Board'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 Board's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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We consider findings 2007-006 and 2007-011 through 2007-016 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Board'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. Of the significant deficiencies described above, we believe findings 2007-006 and 2007-012 through 2007-016 are also material weaknesses.

We also noted certain internal control matters that we reported to the Board's management in a separate letter dated March 3, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Board'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 2007-001 through 2007-010.

We also noted certain noncompliance matters not requiring inclusion in this report that we reported to the Board's management in a separate letter dated March 3, 2009.

The Board's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Board's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management and the Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

March 3, 2009

**BETTSVILLE RECREATION BOARD
SENECA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Finding For Recovery

Personal Expenditures

During 2008, we noted several personal expenditures of Michele Kidwell, Former Fiscal Officer, totaling \$726.60 were taken directly out of the Board's bank account. Of the amount, \$510 was for a Time Warner Cable bill, \$123.60 to AMWATER and \$93 to Ohio Billmatrix Utility. Ms. Kidwell submitted reimbursement for \$633.60 of these charges, which was deposited on November 17, 2008. The bank indicated, however that there were insufficient funds to cover the deposit. As a result, the deposit was reversed on November 19, 2008. In addition, the Board was charged an additional \$5 for the returned check.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a finding for recovery for public money illegally expended is hereby issued against Michelle Kidwell, Former Fiscal Officer and the her bonding company, the Ohio Casualty Insurance Company, jointly and severally, in the amount of \$731.60 and in favor of the Bettsville Recreation Board.

Official's Response

Michelle Kidwell resigned as the Fiscal Officer effective December 31, 2008.

FINDING NUMBER 2007-002

Finding For Recovery

Unsupported Payments

Michelle Kidwell, Former Fiscal Officer, made numerous unsupported payments in years 2006, 2007 and 2008. These payments were for checks written to cash, withdrawals from the Board's bank account, checks written directly to Ms. Kidwell for reimbursement and a money order that was never purchased. During the audit, Ms. Kidwell provided copies of various receipts for purchases and other transactions which she asserted were made by her on behalf of the Board. These documents, however, were not organized in a fashion that corresponded to the disbursements made to Ms. Kidwell, and did not constitute sufficient support for the payments. For example, the dates on receipts submitted were after the date of the check, were significantly before the date the check was written, or were removed or erased. Also, the invoice totals submitted did not agree to the amount of reimbursement.

These unsupported payments totaled \$225 in 2006, \$1,428.39 in 2007, and \$5,452.23 in 2008 for a total of \$7,105.62.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28 a finding for recovery for public monies illegally expended is hereby issued against Michelle Kidwell, Former Fiscal Officer and her bonding company, the Ohio Casualty Insurance Company, jointly and severally, in the amount of \$7,105.62 and in favor of the Bettsville Recreation Board.

**FINDING NUMBER 2007-002
(Continued)**

On November 18, 2008, Michelle Kidwell made deposits of \$3,957.52 and \$717.29 to partially re-pay these funds, leaving \$2,430.81 still outstanding.

Official's Response

Michelle Kidwell resigned as the Fiscal Officer effective December 31, 2008.

FINDING NUMBER 2007-003

Finding For Recovery

Payroll

The Board has set the salary for the Fiscal Officer at \$3,600 per year or \$300 per month. Michelle Kidwell was hired as Fiscal Officer in May of 2006. We calculated her annual salary for 2006 to be \$2,400 (8 months at \$300 per month). However, Ms. Kidwell paid herself \$2,700. This resulted in an overpayment of \$300. During 2007, Ms. Kidwell paid herself thirteen installments of \$300 or \$3,900 for an over payment of \$300.

In accordance with the foregoing facts and pursuant to Ohio Revised Code §117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Michelle Kidwell, Former Fiscal Officer and her bonding company, the Ohio Casualty Insurance Company, jointly and severally, in the amount of \$600 and in favor of the Bettsville Recreation Board.

Official's Response

Michelle Kidwell resigned as the Fiscal Officer effective December 31, 2008.

FINDING NUMBER 2007-004

Finding For Recovery

Undeposited Funds

On July 8, 2008, the Board received a \$1,000 cash donation from a local company. This donation was designated to be used towards the 4th of July fireworks display. These funds were given to the Fiscal Officer, Michelle Kidwell for deposit. The funds were not deposited by the Fiscal Officer until November 19, 2008 after State auditors inquired about them. At that time, Ms. Kidwell, via personal check, deposited the \$1,000 in to the Board's account. The deposit was reversed by the bank for insufficient funds and the Board was charged an additional \$5 service fee.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28 a finding for recovery for public monies collected, but not deposited is hereby issued against Michelle Kidwell, Former Fiscal Officer and the Fiscal Officer's bonding company, the Ohio Casualty Insurance Company, jointly and severally, in the amount of \$1,005 and in favor of the Bettsville Recreation Board.

**FINDING NUMBER 2007-004
(Continued)**

Official's Response

Michelle Kidwell resigned as the Fiscal Officer effective December 31, 2008.

FINDING NUMBER 2007-005

Noncompliance Citation

Ohio Revised Code § 5705.28(B)(2) requires the Board to follow §§ 5705.36, 5705.38, 5705.41, 5705.44 and 5705.45 of the Revised Code. Documents prepared in accordance with the aforementioned sections are to be filed with the county auditor or county budget commission.

Ohio Revised Code § 5705.36 states on or about the first day of each fiscal year, the fiscal officers of subdivisions are to certify the total amount from all sources available for expenditures from each fund in the budget along with any unencumbered balances existing at the end of the preceding fiscal year. During 2006, the Board failed to complete the certification described above.

Ohio Revised Code § 5705.38 requires on or about the first day of each fiscal year, an appropriation measure is to be passed and Ohio Revised Code § 5705.41 states no subdivision shall make an expenditure of money unless it has been appropriated as provided in Chapter 5705 and prohibits a subdivision 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 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 encumbrances.

During 2006, the Board failed to adopt an appropriation measure and the Fiscal Officer did not certify the funds were lawfully appropriated. This resulted in the Board's inability to present Board approved budgetary information in the notes to the financial statements for 2006. Furthermore, failure to have adequate estimated resources and appropriations in place at the time expenditures are being made could cause expenditures to exceed available resources resulting in deficit spending practices. Finally, this practice impedes the ability of the Board and Fiscal Officer to properly monitor the budgetary process.

We recommend the Board complete the certification of amounts from all sources available for expenditure and adopt the appropriation measure in accordance with the sections of the Ohio Revised Code described above. We further recommend the Fiscal Officer include monthly budget versus actual information in the financial reports presented to the Board which will assist them in monitoring the Board's financial status.

Official's Response

The Board will complete temporary appropriations, complete the certification of amounts and actual appropriations and file them with the county auditor per the Ohio Revised Code. The Fiscal Officer will present the Board with a monthly budget along with income and expenses.

FINDING NUMBER 2007-006

Noncompliance Citation / Material Weakness

Ohio Revised Code § 149.351 states all records are the property of the public office, and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole, or in part, except as provided by law or under the rules adopted by the records commission provided under § 149.39.

The daily tally sheets for admissions into the park for the 4th of July Fireworks event could not be located for fiscal years 2006, 2007, or 2008. These particular days are significant events and revenue streams for the Board. As a result, the auditors were unable to properly test all admission revenues, which resulted in a qualified opinion. Admission revenues represent 40% of total receipts in 2007 and 55% of total receipts in 2006. Several other items requested (support for disbursements and employee time cards) could not be located by the Fiscal Officer and additional items were provided after contacting vendors.

We recommend all public records be maintained and stored by the Fiscal Officer as provided by the Ohio Revised Code. In addition, tally sheets should be reviewed and reconciled to the revenues reported on the financial statements.

Official's Response

Board records will be maintained and stored by the Fiscal Officer as provided by the Ohio Revised Code.

FINDING NUMBER 2007-007

Noncompliance Citation

Ohio Revised Code § 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 encumbrances. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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.

1. **"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, Council can authorize the drawing of a warrant for the payment of the amount due. Council has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

**FINDING NUMBER 2007-007
(Continued)**

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 Board.

2. **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. 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.

3. **Super Blanket Certificate** – The Board 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.

None of the transactions tested were certified by the fiscal officer at the time the commitment was incurred and there was no evidence the Board followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Certification is not only required by Ohio law but is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of Board funds being over expended or exceeding budgetary spending limitations as set by the Board. To improve controls over disbursements, we recommend all Board disbursements receive prior certification of the Fiscal Officer and the Board periodically review the expenditures made to ensure they are within the appropriations adopted by them, certified by the Fiscal Officer and recorded against appropriations.

Official’s Response

All Board expenses will be made through purchase orders certified by the Fiscal Officer and paid with warrants reviewed by the Board before/during each monthly meeting. Blanket certificates will not be issued until the financial status has been stabilized and funds have been certified.

FINDING NUMBER 2007-008

Noncompliance Citation

Ohio Revised Code § 9.11 allows any elected or appointed public official of any political subdivision, or any member, agent, or employee of any board or other public body established by law, who is permitted or required in the performance of his duties to affix his signature on any check, draft, warrant, voucher, or other instrument for the payment of money, may adopt a facsimile thereof, in lieu of such signature, and affix such facsimile to any such instrument.

**FINDING NUMBER 2007-008
(Continued)**

Ohio Revised Code § 9.10 defines facsimile signature to include, but not be limited to, the reproduction of any authorized signature by a copper plate or by a photographic, photostatic, or mechanical device, but does not authorize the use of a rubber stamp signature by the official or authorized employee referred to in section 9.11 of the Revised Code on the face of any instrument mentioned in such section.

The checks of the Board were signed by the Fiscal Officer, Michelle Kidwell. The Fiscal Officer then used a rubber stamp signature of the Board President, Tim Lynch, for the second required signature. As stated above, a rubber stamp is not an authorized form of signature.

This process resulted in the Fiscal Officer having the ability to unilaterally approve expenditures without any independent verification of the purpose or reasonableness of the expenditure. This weakness was a contributing factor to the findings for recovery issued in this report. The small size of the Board's staff does not allow for proper segregation of duties; therefore, to strengthen the controls over the Board's disbursements, we recommend the Board require all expenditures be approved by the Fiscal Officer and the Board President or another member of the Board. Prior to approving any expenditure, supporting documentation should be reviewed to ensure it is for a proper public purpose, and the amount of the expenditure is reasonable in relation to the goods or services received.

Official's Response

All expenditures will be authorized only during the monthly meetings as an order of business after all the Board members who are present review the warrants and invoices. Warrants and invoices will be approved prior to the authorization of expenses.

FINDING NUMBER 2007-009

Noncompliance Citation

Ohio Administrative Code § 145-1-27 (B)(1) states that employer liabilities shall be received by the retirement system not later than the ninetieth day after the calendar end of the quarter in which it became a liability. Ohio Administrative Code § 145-1-28 (B) requires that employee deductions to the retirement system and a corresponding report shall be filed with the system no later than the thirtieth day after the last day of the reporting period for which they are due.

During fiscal years 2006 and 2007, the Board did not remit employer and employee Ohio Public Employees Retirement System (OPERS) withholdings as required. During both fiscal years, due to untimely or nonexistent payments and reporting, OPERS began taking the delinquent payments from the Board's tax settlements to ensure contributions were paid. During 2006, the employee and employer required contribution to OPERS was \$6,409, but only \$3,998 was remitted by the Board and an additional \$482 was withheld from tax settlements. During 2007, the employee and employer required contribution to OPERS was \$6,644, but only \$2,595 was remitted by the Board and \$2,218 was withheld from taxes. We recommend the Board contact OPERS to resolve all delinquent amounts and make payments as required by law. This matter is being referred to OPERS.

Official's Response

Michelle Kidwell resigned as the Fiscal Officer effective December 31, 2008. Sharon Lang was approved as the Fiscal Officer January 8, 2009. Sharon has contacted OPERS and had training with a representative, via phone, and is completing the reports and payments up to date.

FINDING NUMBER 2007-010

Noncompliance Citation

26 U.S.C. § 3402 requires employing governments to withhold federal and employment related taxes. 26 U.S.C § 3403 makes employers liable for payment of the tax deducted and withheld.

For calendar year 2006, the Board's liability for Federal withholdings and employee and employer Medicare was \$2,591, but only \$2,319 was remitted. For calendar year 2007, the Board's liability for Federal withholdings and employee and employer Medicare was \$1,995 and no funds have been remitted. We recommend the Board pay all withholdings and taxes as required by law. This matter is being referred to the Internal Revenue Service.

Official's Response

Michelle Kidwell resigned as the Fiscal Officer effective December 31, 2008. Sharon Lang was approved as the Fiscal Officer January 8, 2009. Sharon has contacted the IRS and is in the process of completing the reports and calculating the subsequent payments for the withholding and taxes as required by law.

FINDING NUMBER 2007-011

Significant Deficiency

Amounts Advanced for Personal Use

During the course of the audit, we noted a few transactions that were unusual in nature and showed evidence of potential abuse.

During 2008, we noted the Fiscal Officer paid herself in advance of the services being provided. For example, as of April 21, 2008, she had paid herself for 8 months of work even though she had only worked 4. This was done without the Board's knowledge or approval. Advancing payroll contributed to the Board's inability to pay other bills which resulted in late payments, penalties and interest being charged.

The Board holds a fireworks display for the 4th of July each year. Part of these activities included collecting gate and parking receipts which are to be deposited by the Fiscal Officer. An initial review of the 2008 records noted no deposits for the 4th of July. During an interview, Michelle Kidwell, Fiscal Officer, admitted to removing gate admission and parking receipts for personal use and on November 18, 2008 she repaid those funds by depositing \$3,343 into the Bettsville Recreation Board general checking account.

On February 12, 2008 a check was recorded in the accounting system to the Ohio Public Employees Retirement System for \$3,963.52. A review of the electronic image of this check from the bank found that it was actually written to cash and endorsed by the Fiscal Officer, Michelle Kidwell. During an interview, Michelle Kidwell admitted to removing these funds for personal use and on November 18, 2008 she repaid most of those funds by depositing \$3,957.52 into the Bettsville Recreation Board general checking account.

The financial statements were not accurately presented due to not properly reporting the revenues received and expenditures incurred. We recommend the Board monitor all financial activity to prevent these types of transactions from occurring.

**FINDING NUMBER 2007-011
(Continued)**

Official's Response

Michelle Kidwell resigned as the Fiscal Officer effective December 31, 2008. Sharon Lang was approved as the Fiscal Officer effective January 8, 2009.

Gate and parking receipts will be deposited in the night deposit of the Old Fort Bank by the Fiscal Officer, a Board member and a Bettsville Police Officer after verification of receipts on the 4th of July.

All expenditures will be authorized only during the monthly meetings as an order of business after all board members who are present review the warrants and invoices. Warrants and invoices will be approved prior to the authorization of expenses.

FINDING NUMBER 2007-012

Material Weakness

Bank Reconciliations

Timely and accurate bank reconciliations are a key control within the internal control structure. Bank reconciliations are to be completed monthly and should be reviewed and approved by the Board. The Bank reconciliations were prepared monthly, but were inaccurate and were not submitted to the Board for their review and approval. The lack of accurate bank reconciliations resulted in the Board being declared unauditible. Failure to prepare monthly bank reconciliations prohibits the fiscal officer from preparing accurate financial statements. Without accurate financial statements the Board cannot make proper determinations of the financial position of the Recreation Board. We recommend the Fiscal Officer prepare accurate bank reconciliations on a monthly basis and submit them to the Board for their review and approval. The Board should also sign the reconciliations to indicate the review was completed.

Official's Response

The Board will review, approve and sign accurate bank reconciliations prepared by the Fiscal Officer on a monthly basis.

FINDING NUMBER 2007-013

Material Weakness

Receipts

The Board shall maintain adequate support for all cash receipts. A multi-part pre-numbered receipt shall be completed for each cash receipt, except for general admission sales which may be receipted in lump sums. The Board shall account for each receipt issued or spoiled by accounting for all receipt numbers consecutively. A cash receipt shall be prepared for all cash receipts regardless of whether other documentation evidences receipt (e.g., membership application). The Board did not issue receipts for any cash received and did not have adequate support for amounts reported as donations. This lack of support resulted in incomplete and inaccurate financial statements. We recommend the Fiscal Officer utilize a pre-numbered triplicate receipt book for all cash receipts. The receipt should include a description of the date received, amount received, who it was received from, and a description of what it was for. One receipt should be given to the payor, one should be kept intact in the receipt book and the third copy should be used to maintain a receipt file with all supporting documentation (including deposit slips) available attached to the receipt. The Fiscal Officer should also make a notation within the receipt book for when and in what amount the accumulated receipts were deposited. It is further recommended these receipt numbers be used within the accounting system to properly account for all receipts/deposits.

Official's Response

The Fiscal Officer will utilize a pre-numbered triplicate receipt book for all cash receipts. One will be given to the payor, one kept intact in the receipt book, and one in a receipt file with all supporting documentation (including deposit slips). The Fiscal Officer will document within the receipt book when and in what amount the accumulated receipts were deposited. Receipt numbers will be used within the accounting system to properly account for all receipts/deposits.

FINDING NUMBER 2007-014

Material Weakness

Monthly Financial Information

The Board had very few, if any, internal controls governing processing of expenditures for payroll and non-payroll items. Additionally, the Fiscal Officer performs the disbursement of all funds expended by the Board. These deficiencies raise a significant potential for fraud. Monitoring and oversight of monthly financial information is a key control within the internal control structure. The Fiscal Officer should submit a monthly "check register," "Profit and Loss – Detail" and "Profit and Loss-Summary" to the Board for their review and approval. None of the above mentioned reports were submitted to or reviewed by the Board. The lack of appropriate oversight was a contributing factor to incomplete and inaccurate financial statements, the Board being declared unauditible, and a direct contribution to the findings for recovery issued in this report. We recommend the Fiscal Officer prepare the above mentioned reports on a monthly basis and submit them to the Board for their review and approval. The Board shall indicate this review by signing the reports.

Official's Response

The Fiscal Officer will prepare monthly "Check Register," "Profit and Loss-Detail," and "Profit and Loss-Summary" reports for the Board to review, approve and sign on a monthly basis.

FINDING NUMBER 2007-015

Material Weakness

Financial Reporting

As a result of the audit procedures performed, errors were noted in the financial statements that required material audit adjustments. For fiscal year 2006, admission receipts (\$2,775) were misclassified as miscellaneous revenues. Property and other local taxes (\$934) were posted net of Auditor and Treasurer fees (\$352) and OPERS withholdings (\$582). Intergovernmental Revenues (\$2,768) were misclassified as property and other local taxes, Capital Outlay (\$4,836), Contract Services (\$8,000), Salaries and Benefits (\$27) and Other (\$198) expenses were misclassified as Equipment Rental (\$4,372), Supplies (\$8,297) and Contracts – Repairs (\$392).

For fiscal year 2007, property and other local taxes (\$2,391) were reported net of auditor and treasurer fees (\$173) and OPERS withholdings (\$2,218). Intergovernmental revenues (\$4,441) and miscellaneous revenues (\$1,920) were misclassified as property and other local taxes (\$4,788), memberships (\$263), Donations (\$1,252) and net of Auditor and Treasurer fees (\$58). Membership revenues (\$370) were misclassified as Donations (\$270) and Shelter Rental (\$100). Shelter Rentals (\$450) were misclassified as Donations. Contract Services (\$8,000) were misclassified as supplies. Contract Services (\$238), Capital Outlay (\$1,684) and Other Expenditures (\$164) were misclassified as Utilities (\$85), Supplies (\$317) and Equipment Rental (\$1,684).

Sound financial reporting is the responsibility of the Fiscal Officer and Board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the Board's financial statements and notes to the statements are complete and accurate, the Board should adopt policies and procedures, including a final review of the annual report by the Board to identify and correct errors and omissions.

This weakness resulted in additional audit time to investigate the differences and prepare the audit adjustments.

Official's Response

The Board will adopt policies and procedures including a final review of the annual report to identify and correct errors and omission to ensure the information is complete and accurate for future audits.

FINDING NUMBER 2007-016

Material Weakness

Parking Donations

Parking donations were included in the financial statements as admissions revenue. Total admission revenue was \$25,085 in fiscal year 2007 and \$28,989 in fiscal year 2006. There was no documentation available to review the completeness or existence of these amounts.

**FINDING NUMBER 2007-016
(Continued)**

The Board does not utilize tally sheets or pre-numbered tickets to document parking receipts, which made it impossible to ensure that all parking donations had been received. Since the Board does not require the issuance of source documentation, it was impossible to ensure that all parking donations were recorded on the financial statements. The Board does not require payment for parking as an admission to the event, but considers this a donation to the Board. Failure to account for parking receipts increases the risk that fraudulent activity or mistakes will occur. This lack in accountability also resulted in a qualified audit opinion over admission receipts because we were unable to determine if all receipts were accounted for on the financial statements. Although payment is not required, the Board should implement a policy requiring tally sheets and/or pre-numbered tickets to be utilized for all parking receipts. As part of this policy, donations should be approved in the minutes as being received and recorded on the records for inclusion in the financial statements. Even though donations are accepted in lieu of payment, tickets should be distributed to those who donate.

Official's Response

Pre-numbered tickets will be issued for all parking receipts, even when payment is not required for the 4th of July fireworks display.

All matters in this report have been referred to the Seneca County Prosecutor.

**BETTSVILLE RECREATION BOARD
SENECA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Revised Code §5705.41(D) – Failure to certify the availability of funds.	No	Not corrected. Repeated as finding #2007-007 in this report.



Mary Taylor, CPA
Auditor of State

BETTSVILLE RECREATION BOARD

SENECA 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
MARCH 17, 2009**